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UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

(IN EIGHT VOLUMES)

VOL. 2

HEARINGS NOS. 12-22

(Pages 783-1602)

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

16

No. 12

UNITED STATES STEEL CORPORATION

HEARINGS

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BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

U. S. HOUSE OF REPRESENTATIVES

WEDNESDAY, JULY 26, 1911

WASHINGTON
GOVERNMENT PRINTING OFFICE
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UNITED STATES STEEL CORPORATION.

SPECIAL COMMITTEE ON THE INVESTIGATION OF THE UNITED STATES STEEL CORPORATION,
Wednesday, July 26, 1911.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

The CHAIRMAN. The committee will resume its session.

STATEMENT OF JOHN W. BOILEAU.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. The committee is indebted to Mr. Boileau for his kindness in appearing before us to make a statement with reference to the coal fields of Pennsylvania. As Mr. Boileau is not directly or indirectly connected with any of the companies, so far as I know, about whose affairs we have been investigating, but as he comes rather to furnish this committee with information, it is an act of kindness on Mr. Boileau's part to make the statement with reference to his investigations. Mr. Boileau was subpœnaed.

Mr. Boileau, you are the author of "The Coal Fields of Southwestern Pennsylvania"?

Mr. BOILEAU. Yes, sir.

The CHAIRMAN. Is that the work [exhibiting book]?

Mr. BOILEAU. Yes, sir.

The CHAIRMAN. How long have you been studying and investigating the questions of these coal regions?

Mr. BOILEAU. About 15 years.

Mr. LINDABURY. Would you mind giving the title of the book and the date of its publication?

The CHAIRMAN. The Coal Fields of Southwestern Pennsylvania, Washington and Greene Counties, 1907.

Mr. LINDABURY. Published by whom?

Mr. BOILEAU. Published by myself.

The CHAIRMAN. It was published in 1907, and copyrighted in 1907 by John W. Boileau.

Now, Mr. Boileau, we will appreciate it if you will make a statement, advising this committee as briefly and concisely as you can as to the extent of the Connellsville region first, and of other coking coal regions in West Virginia and Pennsylvania adjacent to Pittsburg, the value of these holdings, the persons holding them at this time, the tenure under which they are held, what coal lands are for sale, and what are being held for manufacturing purposes other than as marketable commodity.

Mr. BOILEAU. The question is very broad, but I will try to cover and if I tell you something that you do not want to know please st stop me.

In order that you may get your bearings, Pittsburg is at the top of the map [indicating], the Monongahela River coming from the south. At the bottom of the map is Clarksburg [indicating], and following north, Fairmont [indicating], Morgantown [indicating], Uniontown [indicating], Connellsville [indicating], and Pittsburg [indicating].

The CHAIRMAN. Who was that map compiled by?

Mr. BOILEAU. It was compiled in my office.

The old Connellsville Basin is the body outlined at the right side of the map, and in the main marked in blue [indicating]. There are some 35,000 to 40,000 acres left unmined in that body. In other words, I believe, it is half mined out. The holdings other than blue are independent or other than the holdings of the United States Steel Corporation. This blank space [indicating] is without coal. It is called the Fayette anticlinal. This is the Chestnut Ridge anticlinal [indicating].

The CHAIRMAN. Have you a smaller copy of that map?

Mr. BOILEAU. No, sir. I would like very much to accommodate you. You have in that pamphlet a smaller map of this old basin and the lower basin, only it does not show the holdings. Between the Fayette anticlinal and the Monongahela River is what is known as the Klondyke, or lower Connellsville region, which is owned by many different merchant coke companies and furnace coke companies and the Steel Corporation. It is improved. The coking field basin extends properly below a point called Fayette City [indicating]. At least the coal to the north of that is what is usually regarded as gas coal, although some of it might be coked and used in by-product ovens. The coal of the Connellsville regions lays in basins or between anticlinals and synclinals. This is, as I have said, the old Connellsville Basin [indicating] and this is the lower Connellsville Basin [indicating]. These lines [indicating] running northeast and southwest are anticlinals and synclinals. The first large anticlinal in the coal is the Fayette, and next is the Brownsville anticlinal. At Brownsville it shows only a small anticline and next the great Belle Vernon anticline, leaving a basin between it and the Monongahela River that is properly regarded as coking coal.

The CHAIRMAN. That is, to the horizontal, to the strata?

Mr. BOILEAU. Yes, sir. The highest point is here [indicating]. This coal is of such physical nature that it may in a way have to be prepared, but it is still coking coal. The area in Greene County is held by independent interests and I would judge that it comprises acreage east of the Amity anticlinal of something like 200,000 acres, and fully 150,000 acres of that acreage may be properly regarded as coking coal. There is, as I have said, 35,000 or 40,000 acres in the old Connellsville region, and in the lower Connellsville region something like 40,000 acres and the Greene County field and East Washington County together, including the independent holdings of the Lackawanna Iron & Steel Co., the Jones & Laughlin Co., the Pittsburg-Buffalo Co., the Pittsburg-Westmoreland Co., and J. V. Thompson holdings, altogether something like 200,000 to 250,000 acres of coking coal, some better than others.

The coal of the old Connellsville Basin, owing to the physical conditions under which it was laid down and the after influences which affected the coal, is softer and better coking coal.

The CHAIRMAN. Right there, this peninsula [indicating] is that line that runs down to this line, is that coal superior to the coal on the anticlinal?

Mr. BOILEAU. Yes, sir; that is the anticlinal.

The CHAIRMAN. In what particular is this coal superior to the coal on the anticlinal?

Mr. BOILEAU. The mountain range was here.

Mr. LINDABURY (interposing). The chairman's question will appear rather obscure in the minutes, this and that does not show anything, and I suggest that the witness in his answer describe it in such a way that the notes will permit of identification.

Mr. BOILEAU. The old Connellsville Basin is nearest the zone of eruption or the mountain range, and that naturally had the influence through physical disturbance to make it of better quality. The vegetable bed there was undoubtedly thicker than in other regions, leaving a thick bed of coal of a soft physical nature, with such a condition that when mined and thrown into the oven it makes it ideal for producing Connellsville coke.

The CHAIRMAN. More like lignite than other coal?

Mr. BOILEAU. No, sir; it is softer. It is a soft coal, comparatively soft; breaks easily.

The CHAIRMAN. Is it more easliy mined?

Mr. BOILEAU. Yes, sir.

The CHAIRMAN. What is the difference in the depth of mining the coal in that region?

Mr. BOILEAU. I think the deepest mine in here [indicating] is possibly 600 feet.

The CHAIRMAN. And the thickness of the vein?

Mr. BOILEAU. Nine to twelve feet.

The CHAIRMAN. In the old region?

Mr. BOILEAU. Yes, sir; and in the other region 7½ to 9½ feet.

The CHAIRMAN. What is the difference in the roof, if any?

Mr. BOILEAU. The roof is similar.

The CHAIRMAN. And as to the presence of gas?

Mr. BOILEAU. Naturally, of course, there would be less gas in the old region than in the lower region.

Mr. LINDABURY. Is this gentleman a geologist, and had you not better ask him where he got this data?

The CHAIRMAN. Are you a geologist?

Mr. BOILEAU. Yes, sir; sometimes regarded as such.

The CHAIRMAN. What experience have you had as mining engineer and geologist for accumulatiag this data?

Mr. BOILEAU. I have been on the ground for 15 or 16 years, and that is better than getting the information out of a volume.

The CHAIRMAN. Have you studied geology?

Mr. BOILEAU. Yes, sir.

Mr. LINDABURY. Then you have obtained the information in both ways?

Mr. BOILEAU. Yes, sir; I have seen the mines and sections and have made analyses and studied the conditions. Then I have viewed all the plants in that region.

The CHAIRMAN. Can you give me any estimate as to the difference in mining operations between the old and new regions?

Mr. BOILEAU. No; I can not. There is no union scale in there: it is just the same.

The CHAIRMAN. If you have no gas in the ribs, as the miners say, and the coal is a cheaper coal, softer, with the same roof, you can get more coke with a certain amount of coal?

Mr. BOILEAU. Yes, sir.

The CHAIRMAN. Can you make any calculation as to how much, more or less, it costs to mine this coal than on the other side?

Mr. BOILEAU. Here [indicating]?

The CHAIRMAN. Yes, sir.

Mr. BOILEAU. In other words, you want to know whether this coal [indicating] can be mined cheaper in the old region than in the lower region?

The CHAIRMAN. Yes, sir.

Mr. BOILEAU. The old region has the advantage of thickness and softness of the coal, while the lower region has the advantage of more modern methods.

The CHAIRMAN. What is the difference in the transportation facilities?

Mr. BOILEAU. Both are thoroughly covered with railroads.

The CHAIRMAN. How much in the old region does the United States Steel Corporation hold?

Mr. BOILEAU. Well, of the coal left, I judge they own something like 75 per cent. You can see from the holdings here [indicating].

Mr. LINDABURY. Through the Frick company?

Mr. BOILEAU. Yes, sir.

The CHAIRMAN. Naturally they got there first and got the cream?

Mr. BOILEAU. Yes, sir; they were there first.

The CHAIRMAN. What is the difference in the market price between an acre of the old region and an acre of the new region, similarly situated with reference to transportation facilities?

Mr. BOILEAU. None of this [indicating] is for sale. It has been bought up for years.

The CHAIRMAN. How much of the old region did the Hostetter Coal Co. own, if any?

Mr. BOILEAU. A little, possibly, up at this end [indicating], which I have not on the map; on the north end of the field.

The CHAIRMAN. Will you please tell us as briefly as you can as to this new coking-coal region and as to the old region, the number of acres held by the United States Steel Corporation, by Jones & Laughlin, Thompson, and the rest?

Mr. YOUNG. The whole Pittsburg region or the Connellsville region?

The CHAIRMAN. I mean the region on that map.

Mr. BOILEAU. Approximately the Steel Corporation owned the first of this year possibly 54,000 acres of Connellsville coal, and that includes the upper and lower and across the river.

The CHAIRMAN. How much do Jones & Laughlin hold?

Mr. BOILEAU. This body in drab [indicating] and the Vesta Coal Co. in blue, I have understood, amounts to about 25,000 to 30,000 acres.

The CHAIRMAN. The Jones & Laughlin Co.?

Mr. BOILEAU. Yes, sir.

The CHAIRMAN. Do they not own 100,000 acres?

Mr. BOILEAU. No, sir.

The CHAIRMAN. I understood that they owned 100,000 acres.

Mr. BOILEAU. No, sir. The statement has been made that they owned more in proportion to their requirements than does the United States Steel Corporation.

The CHAIRMAN. I understood Mr. Jones to say that, but I may be mistaken. The Lackawanna people—how much do they own?

Mr. LINDABURY. Please mention the colors.

Mr. BOILEAU. The Lackawanna holdings are in lavender, and are probably 12,000 to 14,000 acres. The Pittsburg & Buffalo Co. has about 5,500 acres. This part [indicating] has been sold off. The Pittsburg & Westmoreland Coal Co. is in yellow, and their holdings are about 15,000 acres in that territory.

Mr. LINDABURY. What is their color?

Mr. BOILEAU. Yellow.

Mr. LINDABURY. Is not that the same above?

Mr. BOILEAU. This [indicating]?

Mr. LINDABURY. Away up.

Mr. BOILEAU. This is the Pittsburg Coal Co.'s fuel and gas coal [indicating].

Mr. LINDABURY. That is a little different yellow?

Mr. BOILEAU. This was all colored at the same time [indicating], and then afterwards this was painted in.

Of the coking coal in Greene County, the Emerald Coke Co., of which Julian Kennedy is president, has 11,000 acres; Wm. G. Mather, of Cleveland Cliffs Iron Co., and Samuel Mather, of Pickands, Mather Co., have 2,800 acres; the Youngstown Sheet & Tube Co. and Andrews & Hitchcock Iron Co. have possibly 1,000 acres each; the Crucible Steel Co. has 2,100 acres, lately purchased in this new region [indicating], what is properly regarded as coking coal.

Mr. LINDABURY. Is the acreage indicated on that map?

Mr. BOILEAU. In some cases; there have been some changes.

The CHAIRMAN. And the acreages have been taken from the records?

Mr. BOILEAU. Yes, sir.

Mr. YOUNG. Is it not a fact that a good deal of this gas coal is really cokable with modern methods?

Mr. BOILEAU. All of the coal practically to the east anticline and in the gas and coking coal basin will fuse or coke, give off the gas and leave the residue of coke. The Pittsburg gas and Connellsville coking coal, in the section along the Monongahela River and in the edge of Greene and Washington Counties is rich in by-products, the same as other coal. We have more volatile matter in our coal than in the high-grade Pocahontas coal; while they will get more of one by-product, we will get more gas.

Mr. LINDABURY. I think the witness has not completed his narrative of the holdings. He did not mention Mr. Thompson's holding.

Mr. BOILEAU. Mr. J. V. Thompson, of Uniontown, is interested in operations in the lower Connellsville field and has large holdings under the color of pink in eastern Greene and Washington Counties.

The CHAIRMAN. You have a statement?

Mr. BOILEAU. I have prepared an average statement.

Mr. LINDABURY. You did not mention the Thompson acreage.

Mr. BOILEAU. The Thompson holdings of coking coal proper I would estimate at something like 125,000 to 150,000 acres in that section.

Mr. LINDABURY. Have you a list of those holdings?

Mr. BOILEAU. I have not. I have a record of the tonnage produced. That is what I was asked for. The tonnage from 1880 to 1890 was approximately 36,000,000 tons in the Connellsville district, and in the 10 years from 1890 to 1900 it was approximately 56,000,000 tons.

Mr. BARTLETT. For that 10-year period?

Mr. BOILEAU. Yes, sir. From 1900 to 1910, for that 10 years, it was approximately 156,000,000 tons. In other words, in the past 10 years there has been more coke produced in the Connellsville region than in the entire past history of the region. It shows how rapidly our acreage is being depleted. I was asked a question as to the amount taken out per year; 3,000 to 3,500 acres is the amount being taken out now, on the basis of possibly 400,000 tons a week.

Mr. LINDABURY. When you say depleted, you mean exhausted?

Mr. BOILEAU. Yes, sir. That acreage is being exhausted and can never be replaced.

Mr. LINDABURY. No; I suppose not.

Mr. BOILEAU. With a consumption of 3,000 acres of coking coal per year and an annual increase of 10 per cent, the area depleted at the end of 20 years will amount to 172,000 acres. I will give you an idea of the tonnage on the map. I have no squares. From the point near Tenmile [indicating] east to a point near Brownsville [indicating]——

Mr. LINDABURY. Tenmile is a village?

Mr. BOILEAU. Yes, sir; a small town. [Continuing.] To a point near Brownsville [indicating] to a point south in the vicinity of Geneva with a line west at right angles [indicating].

Mr. YOUNG. Connected north to Tenmile?

Mr. BOILEAU. Yes, sir.

Mr. MCGILLICUDDY. Can you give the distance in miles?

Mr. LINDABURY. What is the scale of the map?

Mr. BOILEAU. A mile to the inch. To show you the relation, I presume you want the relation of the steel holdings to what the steel interests take out and require possibly, 1,600 acres a year.

Mr. LINDABURY. Is this coal all the same depth, do you get just as much there [indicating] per acre?

Mr. BOILEAU. They average that much. They have thick coal one place and thin coal another place.

Mr. LINDABURY. They do make some sort of an average per acre?

Mr. BOILEAU. Yes, sir.

To show that there is no monopoly in the purchase of the Pittsburg coal holding, I will state that would last the Steel Corporation five to six years—that is, what they bought from the Pittsburg Coal Co.

Mr. LINDABURY. Bought when?

Mr. BOILEAU. Recently. To the north of Pittsburg there is a small basin, 35,000 to 40,000 acres.

But the quality, its location, the mining conditions, and availability, and physical commercial location, is what make some coal worth $3,000 an acre and other much less. Some of this coking coal has to be prepared for the oven. Some of the coking coal is bringing a royalty of 35 cents a ton that the operator pays the owner of the coal lands. That means $2,800 an acre, and the coke man has to make a profit above that.

Mr. LINDABURY. That is not because of its quality, but its accessibility?

Mr. BOILEAU. Yes, sir; both. Then, the price of coking coal has averaged well during a period of years, but the last three years it has not been so good. We hope for better times. That is an unbiased statement of the situation, as well as I can make it.

Mr. LINDABURY. Have you anything to show the tonnage or acreage, the relative proportion of the Steel Corporation's holdings?

Mr. YOUNG. He said 200,000 to 250,000 acres here [indicating].

Mr. LINDABURY. Over on the other side?

Mr. BOILEAU. In the old region and possibly in the lower region, the United States Steel Corporation has possibly 53,000 or 54,000 acres.

Mr. YOUNG. And then about 35,000 acres to the north?

Mr. BOILEAU. Of the Freeport measures owned by independent interests. The sale of a piece of coal land in one location for a few hundred dollars an acre is nothing by which to judge the sale of other coal land at $3,000, the quality and whether it must be prepared or not before being put in the oven, determines value.

Mr. MCGILLICUDDY. Have you anything further?

Mr. BOILEAU. Not unless you want to ask some questions.

Mr. YOUNG. How about the West Virginia region?

Mr. BOILEAU. This basin, what is known as the old Irwin-Webster-West Newton gas coal basin goes farther south and extends into West Virginia. There are many operations being started there, but very few now producing coke. This coal will coke, but it will have to be prepared. It is farther away from market and in some cases thicker coal; but it has to be washed.

When laid down it seems as if the vegetable beds were disturbed many times, raising it up and down below the water level in some cases, and in others very irregular, so that it was impregnated with impurities. It is very seldom that you can get the coal laid down as regularly as in the Connellsville region proper.

Mr. YOUNG. That can all eventually be used?

Mr. BOILEAU. We will use it, and in not very distant future. The rapidity with which the acreage is being depleted will dawn on us about the time these fields are well exhausted.

Mr. DANFORTH. At the present rate of consumption how long will the coal last in that district?

Mr. BOILEAU. In what district?

Mr. DANFORTH. In the district you have described.

Mr. BOILEAU. Here [indicating]?

Mr. DANFORTH. Yes, sir.

Mr. LINDABURY. That is called the Connellsville region.

Mr. BOILEAU. This is the Connellsville district [indicating]. This [indicating] is an extension of the region, and the river divides it, but it does not divide the strata. Many people make the remark that Greene County is far away, but a similar quality of coal exists.

Mr. LINDABURY. It is known as the lower Connellsville region over there.

Mr. BOILEAU. Yes, sir; we have called it that for several years. I do not know exactly how to answer your question. The by-product coke will draw heavily on the gas and coking coal, and will mix them for coke. The conditions may change materially. The coal

from this gas-coal basin, known as Youghiogheny gas coal, may be mixed with another coal of less volatile matter or mixed with the Connellsville and used in by-product ovens. There is a wide field for by-product ovens, and the time will come when the wasteful methods used in making Connellsville coke will be supplanted in the main.

Mr. DANFORTH. My point was with reference to the present rate of consumption, at the rate the coal is now disappearing——

Mr. LINDABURY (interposing). I think the witness gave the number of acres at about 3,000 a year.

Mr. BOILEAU. Three thousand acres of coking coal. I would have to know the proportional amount of gas and coking coal, and would have to make a comparison in that way. That will be owing to the trend of conditions, but at the present rate, at 3,000 acres a year, most of this area [indicating] would be depleted in from 30 to 35 years, if the production of the old region is carried on. I have an estimate of 12 to 14 years of life if the same tonnage is produced in the old region.

Mr. BARTLETT. By depleted, do you mean consumed?

Mr. BOILEAU. Exhausted, I should say.

Mr. YOUNG. I understood you to say that there were about 75,000 acres in the Connellsville region, the two Connellsville regions, some 250,000 acres to the west, and that would make 325,000 acres?

Mr. BOILEAU. Yes, sir.

Mr. YOUNG. And 35,000 acres to the north?

Mr. BOILEAU. Three hundred and sixty thousand acres, of which the Steel Corporation owns only about one-seventh.

Mr. YOUNG. If you are only using 3,000 acres a year; that is going to last considerably over a hundred years?

Mr. BOILEAU. That is the way; but you are increasing at the rate of possibly 15 per cent a year.

Mr. YOUNG. Yes; but Mr. Danforth's question was on the present rate of consumption.

Mr. BOILEAU. That is a different proposition. We have been going on increasing at the rate of 15 per cent. You could divide by 3,000 (present acreage used) and it would last 100 years; but that is clearly not a fair basis to go by, because this coal over here [indicating] will produce 15,000 to 16,000 tons per acre, while this over here [indicating] will produce only 9,000 to 10,000, and it will take more acreage in order to get the tonnage. I think the gas coal will enter into the making of coke.

Mr. DANFORTH. They are using more of the gas coal in the manufacture of coke?

Mr. BOILEAU. Some of the by-product ovens buy this gas coal; for instance, the by-product people. They can use it by mixing a certain quantity of coal with others in their ovens, and then it gives off the gas, leaving the by-products, including coke. This is used mainly as a domestic coke, which enters the markets along the lake front in competition with anthracite coal. Also by-product coke is used for metallurgical purposes.

Mr. DANFORTH. Are the western deposits of bituminous coal good for coking purposes?

Mr. BOILEAU. I have visited several coal fields—you mean the far West?

Mr. DANFORTH. In the Central States. There are large deposits in Illinois, as I understand.

Mr. BOILEAU. The coal in Illinois is laid down under a different roof and different physical conditions, and does not show the persistence of bed and quality and thickness as the western Pennsylvania coals do. It may be an advantage in nearness to certain markets, but there are disadvantages, and most of the coals where they do coke are irregular in quality and quantity. This Pittsburg coking-coal bed is the most persistent bed in quality and thickness of seam that we have.

Mr. STERLING. Is there coking coal in Illinois?

Mr. BOILEAU. In the past three or four years it has been used by mixing it with either Pittsburg coal or Pocahontas coal, but they do not use it in the beehive ovens, as I understand it, successfully. Now, new methods may change the situation, but not so materially as to jeopardize our situation, in my mind.

I believe you asked me a question, and I do not know exactly how to answer it. Do you want me to include the present rate?

Mr. MCGILLICUDDY. You referred to the inferior coals in the other territory?

Mr. BOILEAU. Yes, sir.

Mr. MCGILLICUDDY. I thought you had better conclude that; it may be of value.

Mr. BOILEAU. While we are only taking out 3,000 acres a year now, and in 20 years that would amount to 60,000 acres, consider that if we increase at the rate of 10 per cent per year for the next 20 years we would exhaust 172,000 acres. You see how rapidly the acreage is depleted when you note that we have taken out more in the last 10 years than in the past entire history of the region. It multiplies rapidly, and the increased demand for this coking coal or the inroads on the coal are bound to continue if our industrial progress continues at all.

Mr. YOUNG. Have you made any provision for life on another planet when this is exhausted?

Mr. BOILEAU. No; we have not. I think we will all be at rest then.

The CHAIRMAN. I will have to ask you to step aside for a few moments in order that we may proceed with the examination of Senator Kenyon, who is present.

Mr. BOILEAU. Certainly.

STATEMENT OF HON. WILLIAM S. KENYON.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. You are a Senator of the United States?

Senator KENYON. I am.

The CHAIRMAN. From the State of Iowa?

Senator KENYON. Yes, sir.

The CHAIRMAN. In April, 1909, were you employed as Assistant Attorney General

Senator KENYON. April, 1909?

The CHAIRMAN. April 13, 1909.

Senator KENYON. 1910.

The CHAIRMAN. Was it?

Senator KENYON. Yes, sir; April 13.

The CHAIRMAN. Do you know whether at that time the Department of Justice had instituted an investigation of the International Harvester Co.?

Senator KENYON. Yes, sir; I know. Whether they had or had not, that is your question?

The CHAIRMAN. Yes, sir. Had they instituted such an investigation?

Senator KENYON. Mr. Chairman, this is the proposition that is bothering me. I am willing to tell you anything that I know about it.

The CHAIRMAN. I know that.

Senator KENYON. The point that is troubling me is that I am not connected with the Department of Justice now. I was in the nature of counsel, I assume, for the Government, and what I might say about it now might in some way interfere with what is going on at this time, of which I have no knowledge. That is the only proposition that is bothering me, but I think I can say without doing any injury to the Government that there had been an investigation.

Mr. LINDABURY. I read about that in the press. Is an inquiry of that kind germane to this inquiry?

The CHAIRMAN. Yes, sir; it is.

The CHAIRMAN. Senator Kenyon, I will ask you if at that time Mr. B. D. Townsend was employed by the Government as assistant district attorney or in some capacity as assistant to the Attorney General to investigate these affairs of the Harvester Trust.

Senator KENYON. I am not certain as to the initials of Mr. Townsend.

The CHAIRMAN. Yes.

Senator KENYON. When I came to Washington and assumed my office, on the 13th of April, I met Mr. Townsend, who was here then in the department working on some land cases, and so I assumed he was employed as an assistant to the Attorney General in some capacity.

The CHAIRMAN. He made a report, I believe, on his work in the matter?

Senator KENYON. I found the report there that he had made.

The CHAIRMAN. You examined that report?

Senator KENYON. I examined that report, and I talked to Mr. Townsend.

The CHAIRMAN. I will ask you, Senator, if this is the report that was made [handing same to witness]?

Mr. YOUNG. Is that on the Harvester Co.?

The CHAIRMAN. Yes, and its relations. I will connect it all up, too.

Mr. YOUNG. Does this report deal with its relation to the United States Steel Corporation?

The CHAIRMAN. Yes, at length. Here is a copy of the report, Mr. Young [handing copy to Mr. Young].

Senator KENYON (after examining report). I think this is it, Mr. Chairman. I think I recognize the reference to the Knight case here. I have had a good deal on my mind since that time, but I think this is the report.

The CHAIRMAN. I have not a doubt about it in my own mind.

Senator KENYON. I know it was a very complete report, and so far as Mr. Townsend has gone, was apparently very thorough.

The CHAIRMAN. I would say, Senator, that I am anxious to know, very anxious to know, whether you regarded that report as conclusive, and as well founded; but I will not insist upon an answer to that question unless you feel disposed to answer it.

Senator KENYON. I know I felt that there should be some more investigation.

The CHAIRMAN. What is that?

Senator KENYON. I felt that there should be some more investigation out through the Western States, as to the prices, whether prices had been increased.

The CHAIRMAN. There were other things to be investigated?

Senator KENYON. I felt there should be a general investigation throughout the farming States.

The CHAIRMAN. You were in favor of pushing the investigation through?

Senator KENYON. Yes.

Mr. LINDABURY. I submit, Mr. Chairman, that these inquiries with regard to some other corporation, and the action of the Department of Justice with respect to it, are not pertinent to this inquiry, and we ought not be affected by them. They ought not to be injected into this inquiry, with all due respect.

The CHAIRMAN. I will say at this point, notwithstanding the learned gentleman's eminent qualifications, he is not in a position to judge accurately as to the outline of the whole object. I am free to admit that a question as to whether or not the Department of Justice did or did not investigate a separate and distinct organization would be absolutely foreign to this investigation. I believe, however, that I have conclusive evidence—somewhat conclusive to my mind—to show that the two concerns are practically one. Under the resolution under which we are operating we are directed not only to investigate the affairs of the United States Steel Corporation, but its relation with any other manufacturing or carrying concern of any kind, character, or description whatsoever, naming the Lackawanna and common carriers.

Mr. YOUNG. But, Mr. Chairman, would it not be better practice if we made the connection first, and began at that end? I have not any interest in it, only I like to see the committee proceed in an orderly manner, and then we can follow it, after the connection has been made.

The CHAIRMAN. That is all right, Mr. Young, but the only way on earth I could proceed with reference to this document was first to identify it. That is all I am doing by Senator Kenyon's testimony. I want to know if this was a report that was made to the Attorney General at such time.

Senator KENYON. You understand this report came before I was connected with the Department of Justice.

The CHAIRMAN. Yes.

Senator KENYON. And I assume you have secured this report from the Department of Justice, and you say this is a copy. I have not examined every part of it.

The CHAIRMAN. Yes.

Mr. LINDABURY. My criticism was on the question asked by the chairman, which was, I am sure, inadvertent, as to whether the witness sympathized with the conclusions of the report, and was in

favor of pushing the inquiry along those lines. I do not believe that the chairman intended to ask that question.

The CHAIRMAN. I would say that the chairman appreciates the fact that Senator Kenyon could not be required to answer, and it was a matter entirely within his discretion, and I asked it not as demanding an answer, but as a seeker after truth, anxious to discover it.

Mr. LINDABURY. I can not think that the Senator desires to answer the question.

Senator KENYON. Did I answer it?

Mr. LINDABURY. No, you did not.

Senator KENYON. I can answer in a general way that kind of a question, that where I thought there was a case that was complete, I was in favor of prosecuting it, and where it was not complete, I was in favor of making further investigation.

Mr. LINDABURY. I think we could all say that.

Senator KENYON. I am in favor of prosecution in trust cases where the case is sufficiently developed.

Mr. LINDABURY. Where it is justified?

Senator KENYON. But not where it is not a good case.

Mr. YOUNG. Mr. Chairman, I have been running through this report and so far as I can see this deals entirely with the Harvester Co. Now, after the Harvester Co. has been connected with the Steel Corporation, the chairman says——

The CHAIRMAN. If you will examine this report, you will see that the United States Steel Corporation was to give these people rebates of $3 a ton on steel.

Mr. YOUNG. That would hardly affect the question whether they had anything to do with the Harvester Co. That would be pertinent to this inquiry, but not whether the Harvester Co. is a trust. That would hardly be pertinent to this.

The CHAIRMAN. I am only considering its relations to the United States Steel Corporation and so far as they affected to some extent the trade. I believe that in a little while I will be able to connect these matters, to the satisfaction of all members of the committee and all other parties concerned. This is a good deal like that contract which was not signed, and it looked then as if that was a matter not connected—as if that was a mere unsigned anonymous scrap of paper from a printing office; but after we had it identified it had that peculiar developing power that I think this same matter has.

Mr. YOUNG. I think in that case it would have been better if we had begun at the other end. The testimony was right in the room to show its relevancy.

The CHAIRMAN. If we had begun at the other end we would have been at the other end yet.

Mr. YOUNG. I think it is better to proceed regularly than irregularly.

The CHAIRMAN. That is all, Senator. We will excuse you. We are very much obliged to you.

ADDITIONAL TESTIMONY OF MR. HERBERT KNOX SMITH, COMMISSIONER OF CORPORATIONS, DEPARTMENT OF COMMERCE AND LABOR.

The CHAIRMAN. Mr. Smith, I do not believe it is necessary to swear you. You were sworn before I believe the Department of Commerce and Labor was instructed or requested to make an investigation of the affairs of the National Harvester Co., was it not?

Mr. SMITH. The International Harvester Co.?

The CHAIRMAN. Yes; the International Harvester Co.

Mr. SMITH. Would you mind giving the date, in your question?

The CHAIRMAN. All right. Were you not called upon by the President himself on July 2, 1909, for information as to the status of investigations conducted by the Bureau of Corporations as to the International Harvester Co.?

Mr. LINDABURY. I object, because this resolution gives this committee no authority to investigate either the Department of Commerce and Labor or the Department of Justice, and the question as to whether or not those departments have done their duty or obeyed the law I think is not pertinent, if the Chairman please.

The CHAIRMAN. The question is preliminary. I am merely asking the question as leading up to what I desire to know.

Mr. SMITH. I do not recollect, Mr. Chairman, any specific instructions from the President on the matter. There may have been some instructions. We had been investigating the International Harvester Co.

The CHAIRMAN. Pursuant to a resolution introduced in the Senate on the 17th of December, 1908?

Mr. SMITH. I do not remember what that resolution was called, but it was either the Kittredge or the Hansbrough resolution. It was the Kittredge resolution, I think. Certainly there was a resolution about that date.

The CHAIRMAN. I see something here in the Congressional Record. I will ask you if subsequent to the introducing of his resolution, Senator Hansbrough did not request the Department of Commerce and Labor either to make a report or to permit the Department of Justice to take this matter in hand, as they then had sufficient information to justify action in the matter?

Mr. SMITH. I do not recollect just what correspondence the department had with Senator Hansbrough. It would not necessarily come to me. But I do recollect vaguely that Senator Hansbrough had some connection with the matter. That is about all I can remember, Mr. Chairman.

The CHAIRMAN. I read from the Record of January 22, 1908, as follows:

Mr. HANSBROUGH. Mr. President, I did not consider it necessary to advise the Department of Commerce and Labor of my intention to offer the original resolution directing the investigation.

Mr. CLARK of Wyoming. I understand that.

Mr. HANSBROUGH. I will answer the Senator. In view of the fact that the Department of Justice, as I am advised, has made a complete investigation and is ready to proceed in the case, I did not consider it necessary to consult with the Department of Commerce and Labor on the subject.

And again, on the same page:

Mr. HANSBROUGH. My action this morning is not taken at the request of anyone, but it is taken after due inquiry as to the ability and readiness of the Department of Justice to proceed in this case. I am satisfied that the department is not only ready but anxious to go ahead, and it should be permitted to proceed without hindrance from any source.

Mr. LINDABURY. It seems to me, Mr. Chairman, that those remarks ought not to be read in this record. We have no opportunity to read them or explain them, and they have not a thing to do with the Steel Corporation.

The CHAIRMAN. I will come to that.

Mr. LINDABURY. They go no further in proving a combination between the Steel Co. and the Harvester Co. than this action does to prove a combination between this committee and the New York World, for instance. Now, we ought not to depart from the line of investigation directed by the House because of newspaper articles.

The CHAIRMAN. I am not bothered about the newspaper articles. I am not concerned with them at all.

Mr. SMITH. I do not think he got quite that information.

The CHAIRMAN. I had information in my files before the New York World ever heard of it, and how they got it I do not know.

Mr. LINDABURY. I suppose that is where the World got it.

The CHAIRMAN. No; the World did not get it from me.

Mr. LINDABURY. Oh, did they not?

The CHAIRMAN. No. The World has been making an investigation for some time, and I will say that several months ago my attention was called to a possible connection between these two companies by articles I saw in the World.

Mr. LINDABURY. There is no connection, except possibly trade relations. I suppose, upon proper request, the House would probably give this committee authority to investigate the Harvester Trust.

Mr. BARTLETT. This resolution provides for the investigation of any concern or corporation in which the Steel Corporation has a direct or indirect interest and with which they have any connection which tends to restrain competition. I do not want to consent to the suggestion that we would not have any right to investigate the International Harvester Co. because it is not mentioned by name in this resolution. It may not be mentioned by name, but the scope of the investigation is much broader than that, and so far as I am concerned I shall not consent that it be restricted to that.

Mr. LINDABURY. Would you mind pointing out the clause tha seems to you to authorize it?

Mr. BARTLETT. I think it is authorized under the following:

Also whether said Steel Corporation, through the persons owning its stock, its officers, or agents, has or has had any relations with the Pennsylvania Railroad Co., or any other railroad company, or any coal companies, national banking companies, trust companies, insurance companies, or other corporate organizations or companies, or with the stockholders, directors, or other officers or agents of said companies, or with any person or persons, which have caused or have a tendency to cause any of the results following:

First. The restriction or destruction of competition in production, sale, or transportation.

Second. Excessive capitalization and bonding of corporations.

Third. Combinations created by ownership or control by one corporation or the stockholders or bondholders thereof of the stock or bonds of other corporations, or combinations between the officers or agents of one corporation and the officers or agents of other corporations by duplication of directors or other means and devices.

Fourth. Speculations in stock and bonds by agreement among officers and agents of corporations to depress the value of the stocks and bonds of other corporations for the purpose of acquiring or controlling same.

Is Mr. Perkins one of the directors of the Steel Corporation?

The CHAIRMAN. Yes; and he is president of the International Harvester Co.

Mr. BATLETT. Exactly; yes.

Mr. LINDABURY. Would not that construction—and I speak to Judge Bartlett as a lawyer for whose attainments I have a very high regard—authorize an investigation of any corporation in which any officer of the Steel Corporation happens to be a director or officer?

Mr. BARTLETT. I think it would, if those two corporations, by engaging in business should accomplish one of the results mentioned in the resolution, the restriction or destruction of competition, or a combination in restraint of trade, etc. The International Harvester Co. is engaged in the manufacture of machinery and things made out of steel and iron which the United States Steel Corporation provides.

Mr. LINDABURY. Is not that right in the teeth of the decision in the Harriman case in the Supreme Court?

Mr. BARTLETT. Well, I do not know.

Mr. LINDABURY. Excuse me. I did not want to argue it with you.

The CHAIRMAN. The gentleman misunderstands, at all events, the purpose of my inquiry. Here Senator Hansbrough states that a certain condition prevails in the Department of Commerce and Labor, and I want to ask the Commissioner of Corporations if this is correct. Mr. Hansbrough states, on January 22, at page 964 of the Congressional Record, Part I, volume 42, as follows:

Mr. HANSBROUGH. Mr. President, the Department of Justice is not awaiting action on the part of the Department of Commerce and Labor. On the contrary, the Department of Justice would be very glad if the Department of Commerce and Labor were relieved from the further investigation, so that the Department of Justice might go on and make the investigation.

Mr. BACON. How does the Senator know that fact?

Mr. HANSBROUGH. Mr. President, I would hardly come into this Chamber with a proposition so serious as this if I did not know what I was talking about. I do not know that I am obliged to tell the Senate or the Senator from Georgia particularly what my conversation has been with officers of the Department of Justice. I state to the Senator that I know the Department of Justice is ready to proceed with this case, and that the only reason why it does not proceed is because of the pending investigation in the Department of Commerce and Labor.

Mr. CLAY. Mr. President——

The VICE PRESIDENT. Does the Senator from North Dakota yield to the Senator from Georgia?

Mr. HANSBROUGH. For a question?

Mr. CLAY. Does the Senator from North Dakota undertake to tell the Senate that the Department of Justice has investigated the conduct of this trust; that it finds that it has violated the antitrust laws of the country; that it intends to proceed against this trust for a violation of the law and has not done so solely for the reason that a resolution has been passed authorizing the Department of Commerce and Labor to make an investigation?

Now, let me ask the Senator, is it not true that it is the duty of the Department of Justice to investigate all violations of the antitrust law and to proceed to enforce the law regardless of any resolution of the Senate?

Mr. HANSBROUGH. Mr. President, that is precisely what I desire to have the Department of Justice do. The question of whether this harvester trust has violated the law is one, I think, which the Senator from Georgia will concede belongs to the courts to decide. The question of proceeding in the courts to ascertain that fact belongs to the Department of Justice, and the Department of Justice is ready to do that thing.

Mr. CLAY. Let me ask the Senator——

The VICE PRESIDENT. Does the Senator from North Dakota yield to the Senator from Georgia?

Mr. HANSBROUGH. Yes.

Mr. CLAY. Thirteen months ago this Senate passed a resolution instructing the Department of Commerce and Labor to make this investigation?

Mr. HANSBROUGH. Yes.

Mr. CLAY. That resolution states the reasons why it ought to be made. Now, the Department of Commerce and Labor has made a partial investigation. If this resolution introduced by the Senator should be adopted, it would be construed as meaning that the Senate does not desire any further investigation made into the conduct of this company; it would be simply construed that we wanted the investigation stopped; that the Senate did not believe there was anything in the former resolution, and the resolution, if adopted by the Senate, in my opinion, would put the Senate in an improper light.

Now I will ask you, Mr. Commissioner, if at that time Senator Hansbrough did not appeal to the commissioner—to you personally—to make a report touching this question, or a statement that the Department of Justice was free, without any discourtesy to your department, to proceed with such action as it might think necessary based upon investigations already made on the matter?

Mr. SMITH. I do not recollect any such communication or request from Senator Hansbrough, but it might very readily have come to the Secretary, as it properly would have, and not come to my attention. I simply do not recollect it.

The CHAIRMAN. Were you advised at that time that the report of Mr. Townsend was then on file in the Department of Jutsice, finding that the relation was very close between the United States Steel Corporation and this International Harvester Co., and finding that the International Harvester Co. itself was a combination in restraint of trade?

Mr. SMITH. All that I know about that matter—if I identify Mr. Townsend correctly as the district attorney in one of the Dakotas——

The CHAIRMAN. Yes, sir; that is the man.

Mr. SMITH (continuing). Was that a district attorney by the name of Townsend had been investigating the matter.

The CHAIRMAN. Burdette D. Townsend.

Mr. SMITH. But I certainly did not know that he had made a report, and I did not know what the nature of it was.

The CHAIRMAN. How long has it been since your department first started to investigate the affairs of the International Harvester Co.?

Mr. SMITH. My impression is that it is a little over two years. We had other investigations on hand, which Congress had called for, when this resolution was passed calling for an investigation of the Harvester Co., and we were not able to take it up at once. It has been going on for two years, I think.

The CHAIRMAN. These proceedings in the Congressional Record show that in 1898 the resolution had been adopted two years prior.

Mr. SMITH. Then I must be wrong. I thought the resolution was put in in 1908. It must have been three years, then, certainly.

The CHAIRMAN. Have you made any report to the President about this?

Mr. SMITH. No; we have not.

The CHAIRMAN. Did you not report to the President on July 9, 1909, that you had completed the investigation of the International Har-

vester Co.'s operations in the United States and were collecting supplementary data with relation to the business abroad?

Mr. SMITH. We may have reported to the President that we had done a part of the work, but we certainly never reported to him that we had made a complete investigation of any part.

The CHAIRMAN. Is it not a fact that you are now investigating the affairs of this concern abroad?

Mr. SMITH. We have done that, but we are not doing that now. We are on domestic work now.

The CHAIRMAN. Have you completed that investigation, or is it complete?

Mr. SMITH. We are still doing some field work on it. We have men in the field now on it.

The CHAIRMAN. In your investigation of the affairs of these large interstate corporations, is it not true that the real work is done by what is known as the board of directors; that they are always the operating power—the controlling power?

Mr. SMITH. As a common thing, yes; though frequently some executive committee may be the controlling power.

The CHAIRMAN. Yes; and the wheel within the wheel is the finance committee of these concerns?

Mr. SMITH. The finance committee or the executive committee.

The CHAIRMAN. The finance or the executive committee. The people who control the corporations are this finance or executive committee. Have you not found that to be universally the case, as a general principle?

Mr. SMITH. I think, as a general principle, either the directors control the corporation, or a subdivision of the board of directors called either the finance committee or the executive committee.

The CHAIRMAN. Where they have a finance committee or an executive committee it is usually the motive power?

Mr. SMITH. That is usually the strongest organization, I think. That is not always true.

The CHAIRMAN. Is it not true that the finance committee of the United States Steel Corporation is the power that controls it?

Mr. SMITH. I do not believe I am quite qualified to answer that. It would be purely a matter of common knowledge, if I did so; but I have always supposed that that was an important executive unit.

Mr. LINDABURY. It is under the by-laws, is it not?

The CHAIRMAN. Yes. Under the by-laws is it not a fact that the executive committee——

Mr. YOUNG. Which are you speaking of, the Harvester Co. or the United States Steel Corporation?

Mr. LINDABURY. We are on the Steel Corporation, now.

The CHAIRMAN. Is it not true that in many instances the chairman of the executive committee has power to act for the executive committee when it is not in session, and that the executive committee acts for the whole organization?

Mr. SMITH. I do not not know.

Mr. LINDABURY. You are wrong about that.

The CHAIRMAN. Well, I do not know about that. Now I will ask you if the finance committee of the Harvester Co. is not the controlling power in that company, from your investigations?

Mr. SMITH. I could not answer that, Mr. Chairman.

The CHAIRMAN. Do you not know?

Mr. SMITH. I know something about it; but that comes under the ordinary statutory provision that I have already cited here. I know it as Commissioner of Corporations, but that is the only way I know about that.

The CHAIRMAN. And you could not tell me as Mr. Smith without telling me as Commissioner of Corporations?

Mr. SMITH. I am afraid I could not tell you without telling you as Commissioner of Corporations.

The CHAIRMAN. As if you were not Commissioner of Corporations?

Mr. LINDABURY. You could get a copy of it.

Mr. SMITH. It would not be very hard to find out.

The CHAIRMAN. I will ask you if you know—I am quoting from the Directory of Directors—is it not true that Mr. Elbert H. Gary is chairman of the finance committee of the United States Steel Corporation?

Mr. SMITH. I do not know his exact title.

Mr. LINDABURY. You might as well get it right. He is chairman of the finance committee.

The CHAIRMAN. Chairman of the board of directors?

Mr. LINDABURY. No; of the finance committee. Well, I do not know but he is chairman of the board. Perhaps that is his title.

The CHAIRMAN. Is it not also true that he is chairman of the finance committee of the International Harvester Co.?

Mr. SMITH. I really do not know whether he is or not.

The CHAIRMAN. Is is not so stated in Moody's Manual?

Mr. LINDABURY. I do not know.

The CHAIRMAN. I think I am right about that.

Mr. LINDABURY. I do not know a blessed thing about the Harvester Co.

The CHAIRMAN. I will ask you if George F. Baker is not a member of the finance committee of the United States Steel Corporation?

Mr. SMITH. I have not in my mind the names of that membership, Mr. Chairman. I could not give you that fact.

Mr. YOUNG. It appears in all their reports, does it not?

Mr. LINDABURY. It will appear in their reports and in various financial publications.

The CHAIRMAN. Is he not also a member of the finance committee of the International Harvester Co.?

Mr. SMITH. I could not answer that.

The CHAIRMAN. Well, just for the sake of shortening the time, Mr. Lindabury, you will admit that the Directory of Directors, as published, is good authority here?

Mr. LINDABURY. I do not know.

The CHAIRMAN. The Directory of Directors, in the city of New York?

Mr. LINDABURY. I never heard of it. There is no question about what you are asking about.

The CHAIRMAN. There is no doubt about it. I just wanted to get it in the record.

Mr. LINDABURY. Are the directors of the Harvester Co. given here anywhere?

The CHAIRMAN. Yes; you will find the place marked. I will ask you, Mr. Smith, if Mr. George W. Perkins is not a director of the Harvester Co. and a member of the finance committee of the United States Steel Corporation?

Mr. SMITH. He holds a very important position in the Harvester Co., but I do not know just exactly what the title of his position is.

The CHAIRMAN. And Mr. Norman B. Ream, is he not also a member of the finance committee of both corporations?

Mr. SMITH. I simply have not carried those names in my mind, Mr. Chairman. I do not know.

The CHAIRMAN. If that is true, then, out of a board of directors consisting of George W. Perkins, George F. Baker, Charles Deering, Elbert H. Gary, Cyrus H. McCormick, and Norman B. Ream, four out of six of the finance committee are also members of the finance committee of the United States Steel Corporation, are they not?

Mr. SMITH. I simply can not answer the question, Mr. Chairman; I do not know. It appears in the annual reports of both corporations, I think. It is perfectly easy to find it out.

Mr. LINDABURY. Have you figured out how many common directors the two have? Perhaps you have done that.

The CHAIRMAN. In what?

Mr. LINDABURY. The Harvester Co. and the Steel Corporation. There are not more than four or five common directors, are there, out of the 25?

The CHAIRMAN. There are five; that is right.

Mr. LINDABURY. Five?

The CHAIRMAN. Yes; and they are all at the head of the class.

Mr. LINDABURY. I do not know about that, but there are 24 directors, I think, of the Steel Corporation.

Mr. YOUNG. And how many of the Harvester Co.?

Mr. LINDABURY. I do not know. It is a large board, is it not—the Harvester Co. board, too?

The CHAIRMAN. Yes. With the permission of all parties concerned, I will just file this statment here, taken from the Directory of Directors, of New York, and from Moody's Manual, two well-known publications.

Mr. YOUNG. What is the date of it?

Mr. LINDABURY. I do not see a date. Yes; it is May 1, 1909. I have no doubt of its correctness, but I do not know anything about this publication.

Mr. YOUNG. It was probably correct when it was made, but there have been a good many changes since it was made.

(The statement referred to is here printed in full in the record, as follows:)

UNITED STATES STEEL CORPORATION.

Officers:
Elbert H. Gary, chairman.
Wm. E. Corey.
Wm. B. Dickson.
David G. Kerr.
Francis L. Stetson.
Richard Trimble.
Wm. J. Filbert.

Finance committee:
* Elbert H. Gary.
* Geo. F. Baker.
Wm. E. Corey.
Henry C. Frick.
* Geo. W. Perkins.
Henry Phipps.
* Norman B. Ream.
J. Pierpont Morgan, jr.
Peter A. B. Widener.

Directors:
* Geo. F. Baker.
Wm. E. Corey.
John F. Dryden.
Clement A. Griscom.
Daniel G. Reid.
Nathaniel Thayer.
Henry C. Frick.
Wm. H. Moore.
* Norman B. Ream.
James H. Reid.
* Charles Steele.
Peter A. B. Widener.
Robert Winsor.
Alfred Clifford.
Edmund C. Converse.
* Elbert H. Gary.
J. Pierpont Morgan.
Thomas Morrison.
* Geo. W. Perkins.
Henry Phipps.
J. Pierpont Morgan, jr.
Percival Roberts, jr.
Henry Walters.
Samuel Mather.

INTERNATIONAL HARVESTER CO.

Officers:
Cyrus H. McCormick.
Jas. Deering.
John J. Glessner.
Wm. H. Jones.
Harold F. McCormick.
* Richard F. Howe.
Edgar A. Bancroft.
Wm. M. Reay.

Finance committee:
* Geo. W. Perkins.
* Geo. F. Baker.
Chas. Deering.
* Elbert H. Gary.
Cyrus H. McCormick.
* Norman B. Ream.

Directors:
Chas. Deering.
* Geo. F. Baker.
W. J. Louderback.
Cyrus H. McCormick.
* Norman B. Ream.
* Chas. Steele.
Edgar A. Bancroft.
* Elbert H. Gary.
Richard F. Howe.
Thos. D. Jones.
John P. Wilson.
Jas. Deering.
John J. Glessner.
Wm. H. Jones.
Harold F. McCormick.
* Geo. W. Perkins.
Leslie D. Ward.
John A. Chapman.

(The star (*) marks the names of those who are directors in both companies.)

The CHAIRMAN. I will ask you if you did not in your completed report give data showing that there was an agreement entered into January, 1907, between the United States Steel Corporation and the International Harvester Co., and although there was no merger in the new financial arrangements, such a proposition was made by the Harvester Co. to the Steel Co. in December, 1902, when it was referred to a committee composed of Judge Gary, George W. Perkins, and Mr. Ream, all of whom were also directors of the International Harvester Co.?

Mr. SMITH. I could not answer that, under the law, Mr. Chairman.

The CHAIRMAN. Will you be good enough, Mr. Commissioner, if you please, to make that memorandum and see if the communication by direction of the president concerning these data is contrary to public policy?

Mr. LINDABURY. I have no doubt I could furnish you, without bothering the commissioner or anybody else, with what you want, if I knew what it was that you wanted.

The CHAIRMAN. I would be very much obliged to you.

Mr. LINDABURY. I suppose you are going to examine Mr. Perkins?

The CHAIRMAN. Yes, sir; I hope to be able to do so, if he will kindly come before the committee. I presume he is in New York.

Mr. LINDABURY. He is in New York, and I know Mr. Perkins is a director of the Harvester Co., and he would be glad to tell you all about it.

The CHAIRMAN. I should think at some time we would be glad to hear from Mr. Perkins.

Mr. LINDABURY. And I know he is desiring to hear from you and waiting.

Mr. SMITH. Then do you want me to do anything about that, Mr. Chairman?

The CHAIRMAN. I always have an interest in examining a man of his distinction and attainments. In a humble way, we will be glad to know what he knows.

Mr. LINDABURY. I do not mean, Mr. Chairman, that Mr. Perkins desires to appear before you, but that he understood that the committee wanted to examine him, and he has stayed about. I do not mean to imply that he wants to force himself on the committee.

The CHAIRMAN. No; I did not think that from what you said.

Mr. LINDABURY. No; I meant that he thought you wanted him, and on that account he has not gone away.

The CHAIRMAN. You may, from the chairman of this committee, assure him that we appreciate his attitude in the matter and his willingness to make his arrangements conform to the convenience of the committee.

Mr. SMITH. Will you not state, Mr. Chairman, just what you desire from me and have a copy of the memorandum sent to me so that I need not make a note of it?

The CHAIRMAN. I want all memoranda showing the relation between the International Harvester Co. and the United States Steel Corporation; all data showing arrangements between the United States Steel Corporation and the International Harvester Co. by which the United States Steel Corporation was to furnish certain of its products and raw materials to the Harvester Co. at reduced rates, in consideration for which the Harvester Co. was not to buy, as it had hitherto done, from the Lackawanna and other independent companies; also all copies of agreements or memeranda of any kind whatsoever, showing that the International Harvester Co. had agreed, in consideration of certain contracts and arrangements, in restraint of trade, not to produce or to increase the production of iron or other semifinished products which were to be purchased from the United States Steel Corporation; all data and memoranda of any kind whatsoever showing the arrangements between the United States Steel Corporation and the International Harvester Co. by which the International Harvester Co. was to furnish and permit the use of its fleets and ore by the United States Steel Corporation; all memoranda and data of every kind whatsoever showing arrangements between the syndicate managers of the Harvester Co.—that is, the persons who formed this syndicate, or any banks or other financial institutions controlled by them—that is, by the firm of J. P. Morgan & Co.

and others—by which the International Harvester Co. was to receive money at a low rate of interest—3 or 4 per cent—to be used in furtherance of the deals, contracts, or arrangements hitherto referred to.

Mr. LINDABURY. Now, if the chairman will permit me, I beg to say that everything of the kind called for in his requisition upon the commissioner, just made, in so far as the corporation is concerned, is displayed in the minutes of its board of directors and its finance committee, all of which have already been examined, and extracted, by the expert of the committee, Mr. McRea; but if there be anything else of any kind or description, or any data bearing on this matter, in the records or files of the United States Steel Corporation, the counsel of the company will be pleased to produce it, on request, and the officers of the company are at the disposal of the committee.

The CHAIRMAN. I certainly appreciate the willingness of the United States Steel Corporation to furnish these data; but I know the delay necessarily incident to any consultation of counsel, and we would have to pay an expert quite a little sum; and if the Commissioner of Corporations will only secure the consent of the President—and I heartily hope that he will and the President will accede to this request—this committee, without cost, or at the cost of the Government hitherto expended, can turn over to us the very information we would have to seek by much labor and at great expense and with infinite delay, from the United States Steel Corporation. I do not want to be in the attitude of being ungrateful for the tender of service, but I am simply trying to save time.

Mr. LINDABURY. I have no objection to the committee getting this information from the President or the Commissioner of Corporations, if it chooses, or is able to do so; but from the previous remarks of the chairman I rather gathered that it might get the information sooner from us than from the President, and I was anxious that the committee should get it as soon as possible.

The CHAIRMAN. I think the President can get it instantly. I will ask you for this further information: All memoranda touching all rebates or other discriminations made by the following companies, in which Elbert H. Gary is a director: Bessemer & Lake Erie Railroad Co.; Chicago, Lake Shore & Eastern Railway Co.; Duluth & Iron Range Railroad Co.; Duluth, Missabe & Northern Railway Co.; Elgin, Joliet & Eastern Railway Co.; Newburgh & South Shore Railway Co.; Pittsburgh, Bessemer & Lake Erie Railroad Co.; and Southern Railway Co.

All memoranda and information touching rebates on other discriminations made by the following companies, in which George F. Baker is a director: Central Railroad of New Jersey; Chicago, Burlington & Quincy Railroad Co.; Cincinnati, Hamilton & Dayton Railway Co.; Colorado & Southern Railway Co.; Erie Railroad Co.; Lake Erie & Western Railroad Co.; Lake Shore & Michigan Southern Railway Co.; Lehigh Valley Railroad Co.; Michigan Central Railroad Co.; Mohawk & Malone Railway Co.; New York & Harlem Railroad Co.; New York & Long Branch Railroad Co.; New York & Putnam Railroad Co.; New York Central & Hudson River Railroad Co.; New York, Chicago & St. Louis Railroad Co.; Northern Pacific Railway Co.; Pere Marquette Railroad Co.; and West Shore Railroad Co.

All memoranda and information touching rebates or other discriminations made by the following companies, in which Norman B.

Ream is a director: Baltimore & Ohio Railroad Co.; Brooklyn Heights Railroad Co.; Chicago & Lake Erie Railroad Co.; Chicago, Burlington & Quincy Railroad Co.; Cincinnati, Hamilton & Dayton Railroad Co.; Erie Railroad Co.; New York, Susquehanna & Western Railroad Co.; Pere Marquette Railroad Co.; and Seaboard Air Line Railway.

All memoranda and information touching all rebates or other discriminations made by the following, in which G. W. Perkins is a director: Cincinnati, Hamilton & Dayton Railroad Co.; Dayton & Union Railroad Co.; Hamilton Belt Railway Co.; Northern Pacific Railway Co.; and Pere Marquette Railroad Co.

Mr. LINDABURY. That is from the beginning of the world to this date?

The CHAIRMAN. All that he has had since he started the investigation, up to the present time.

Mr. LINDABURY. Rebates given to the Steel Co.?

The CHAIRMAN. To the Steel Co.

Mr. LINDABURY. Rebates given by them from what time to what time?

The CHAIRMAN. From the organization of the Harvester Co., in 1902.

We are much obliged to you. Has anybody else any questions? If not, that is all.

I have here a statement from Dr. T. Rowe Price that Mr. William H. Whiting, who has been summoned to appear before this committee, is sick and unable to be present. I will just let that go into the record.

(The communication referred to by the chairman is here printed in the record in full as follows:)

JULY 21, 1911.

Mr. A. O. STANLEY,
House of Representatives, Washington, D. C.

DEAR SIR: Learning that Mr. William H. Whiting has been summoned to appear before a committee in Washington, I beg to say that Mr. Whiting is under my professional care and his health is such that he is unable to appear as a witness in any matter. I have him now in the mountains and compelling him to keep perfectly at rest.

Yours, truly, T. ROWE PRICE.

TESTIMONY OF MR. C. B. SHOEMAKER, PRESIDENT OF THE GLASGOW IRON CO.

Mr. BEALL. Where do you live?

Mr. SHOEMAKER. In Pottstown.

Mr. BEALL. What iron or steel company are you president of?

Mr. SHOEMAKER. The Glasgow Iron Co.

Mr. BEALL. How long have you been president of it?

Mr. SHOEMAKER. I have been president of it for 15 or 20 years.

Mr. BEALL. About how long has it been organized?

Mr. SHOEMAKER. Since 1875.

Mr. BEALL. What kind of steel products do you make?

Mr. SHOEMAKER. We do not manufacture steel at all.

Mr. BEALL. What kind of business are you engaged in, then?

Mr. SHOEMAKER. Iron plate. Iron is our principal business. We buy small quantities of steel slabs and roll them into plates, but we are not manufacturers of steel.

Mr. BEALL. You do some steel rolling, you say?

Mr. SHOEMAKER. We do the rolling ourselves.

Mr. BEALL. What is the capitalization of your company?

Mr. SHOEMAKER. $500,000 authorized; $360,000 issued.

Mr. BEALL. You were president in 1900?

Mr. SHOEMAKER. Yes.

Mr. BEALL. Did you ever see a copy of an agreement purported to have been made between about 11 different concerns, some of them engaged in the manufacture of steel and some of them in the sale of iron and steel products?

Mr. SHOEMAKER. No; I was not at the meeting where that is reported to have been made. I do not remember ever seeing it at all.

Mr. BEALL. Did you receive a copy of that agreement?

Mr. SHOEMAKER. I think not. I do not remember ever seeing one.

Mr. BEALL. You do not know whether you ever signed a copy of it?

Mr. SHOEMAKER. I am very sure I did not.

Mr. BEALL. Do you know anything about a subsequent agreement?

Mr. SHOEMAKER. No; only what I have heard reported. No, I did not see it.

Mr. BEALL. Did anybody representing your company, within your knowledge, sign the subsequent agreement?

Mr. SHOEMAKER. I think not. I am not positive, but I think not.

Mr. BEALL. Did you ever have an arrangement under which your company was permitted to sell a certain per cent of the combined sales of 10 or 11 other companies?

Mr. SHOEMAKER. We were in that—working under that understanding.

Mr. BEALL. Was that the association of which Mr. Temple was the commissioner?

Mr. SHOEMAKER. Yes.

Mr. BEALL. And of which Mr. King was treasurer?

Mr. SHOEMAKER. That is the one.

Mr. BEALL. How long were you in that association?

Mr. SHOEMAKER. How long were we in it?

Mr. BEALL. Yes.

Mr. SHOEMAKER. Until it dissolved, in the early part of 1905, I think it was.

Mr. BEALL. Did you make monthly reports to Mr. Temple?

Mr. SHOEMAKER. We did.

Mr. BEALL. Did you make an initial deposit with Mr. King to the guaranty fund?

Mr. SHOEMAKER. At the start, yes.

Mr. BEALL. What per cent of the sales was allotted to your company?

Mr. SHOEMAKER. Inasmuch as we were makers of iron and not steel, it was suggested that we be allowed about, I think it was, 1 or 1½ per cent, to which I objected as being so insignificant that I did not care to have anything to do with it, and finally it was agreed that we could make as many tons as we chose, provided we did not exceed 40,000 tons, I think it was, per annum; and inasmuch as we were not makers of steel, and there was no danger of our exceeding that, or

very little danger of our exceeding it, I was satisfied and accepted that arrangement.

Mr. BEALL. From whom did you buy your iron and steel?

Mr. SHOEMAKER. We bought it from all. I can not answer that question now, because we bought it all around.

Mr. BEALL. In this agreement that you entered into with the others was there anything that regulated the concerns from which you could make your purchases?

Mr. SHOEMAKER. Nothing whatever.

Mr. BEALL. Have you any of the papers that you were asked to produce by the subpœna served on you?

Mr. SHOEMAKER. I have not any of the papers. The papers were long since destroyed—all those papers.

Mr. BEALL. Was there any purpose in destroying them?

Mr. SHOEMAKER. None whatever, any more than clearing up—never supposed they would be wanted—along with other papers.

Mr. BEALL. The checks you gave were destroyed?

Mr. SHOEMAKER. I think so. I do not find them.

Mr. BEALL. Were the checks you gave for other purposes about that time preserved, or were they also destroyed?

Mr. SHOEMAKER. No; all destroyed; none selected for destruction; all destroyed, so far as I know.

Mr. BEALL. Was the destruction of all of these papers in the ordinary course of your business and in good faith?

Mr. SHOEMAKER. It was.

Mr. BEALL. Do you know the amount of your original deposit to the guarantee fund?

Mr. SHOEMAKER. I think it was $4,000.

Mr. BEALL. If you went above that 40,000 tons per annum, you would be penalized?

Mr. SHOEMAKER. Yes.

Mr. BEALL. Did you ever go above it?

Mr. SHOEMAKER. In one instance only.

Mr. BEALL. Were you penalized?

Mr. SHOEMAKER. Yes.

Mr. BEALL. Do you know how much you paid?

Mr. SHOEMAKER. We paid about $1,700.

Mr. BEALL. If you fell below it, were you to receive anything in consideration of it?

Mr. SHOEMAKER. Nothing whatever.

Mr. BEALL. You understood, then, that your relation to the association differed in that respect from the relation of the other parties to it?

Mr. SHOEMAKER. In that relation that we could manufacture, could roll all the steel plate we could up to 40,000 tons, and above that we would have to pay.

Mr. BEALL. Yes, but if you fell below that you received nothing?

Mr. SHOEMAKER. No.

Mr. BEALL. You made monthly reports to Mr. Temple?

Mr. SHOEMAKER. Yes.

Mr. BEALL. You received from him a statement, monthly, showing the business of all these other concerns?

Mr. SHOEMAKER. Yes.

Mr. BEALL. How long did you continue to make that monthly report to Mr. Temple?

Mr. SHOEMAKER. Until we dissolved in 1905, I think it was the early part.

Mr. BEALL. Did you not continue it beyond that time?

Mr. SHOEMAKER. After that we made reports for the general information of the manufacturers to a party in New York.

Mr. BEALL. At whose suggestion did you make those last-named reports?

Mr. SHOEMAKER. I do not remember at all.

Mr. BEALL. Did you receive from that party in New York a statement of the business done by other parties?

Mr. SHOEMAKER. Yes, we did.

Mr. BEALL. How long did that continue?

Mr. SHOEMAKER. Oh, I do not remember that. I do not recall that at all. For a year or two possibly. I do not recall it at all.

Mr. BEALL. Why did you stop it?

Mr. SHOEMAKER. Simply because we became uninterested, I guess. It did not make any material difference. We were manufacturing all we could.

Mr. BEALL. You were manufacturing all you could while you were in this agreement?

Mr. SHOEMAKER. Yes; I know that.

Mr. BEALL. What was the purpose of this agreement?

Mr. SHOEMAKER. The purpose of it?

Mr. BEALL. Yes.

Mr. SHOEMAKER. The purpose of it was to control the demoralized condition of things and the disastrous condition of trade, cutting, falling down in prices to ruinous levels, as we at times did—very bad for the manufacturer, for the consumer, and particularly for the workingman, as the very low prices always necessitated the reducing of costs.

Mr. BEALL. Now, did that element of consideration for the workingman enter into it?

Mr. SHOEMAKER. Very decidedly.

Mr. BEALL. Did you raise the wages of the workingman after you made that agreement?

Mr. SHOEMAKER. Raise the wages?

Mr. BEALL. Yes.

Mr. SHOEMAKER. No. We simply raised the wages depending upon the condition of the market. If the condition of the market warranted the raising of wages——

Mr. BEALL. Now, the market fluctuated to some extent, did it not, from time to time?

Mr. SHOEMAKER. Yes.

Mr. BEALL. Did the wages of your workingmen fluctuate to correspond with the market?

Mr. SHOEMAKER. When the fluctuations warranted it.

Mr. BEALL. Did they ever warrant it?

Mr. SHOEMAKER. Oh, yes.

Mr. BEALL. How many times did you raise wages while this pool was in operation?

Mr. SHOEMAKER. I can not tell you that.

Mr. BEALL. Can you name any instance in which you raised wages?

Mr. SHOEMAKER. No, I can not remember any date of advancing or of lowering.

Mr. BEALL. Do you remember the circumstance of advancing the wages of anybody?

Mr. SHOEMAKER. No, because we acted entirely independent of the other mills. In advancing or lowering our wages we were governed by the wages of other mills and manufacturing establishments around our part of the country, regardless of everybody else.

Mr. BEALL. Well, regardless of whatever may have been the condition of the consideration, did you as a matter of fact, from 1900 to the close of 1904, raise the wages of any of your workingmen?

Mr. SHOEMAKER. I can not answer that question.

Mr. BEALL. You say you went into this pool for the purpose of maintaining the prices, and that one of the considerations prompting you to do it was, in order that you might advance the wages of your workingmen?

Mr. SHOEMAKER. That we might advance the wages of them?

Mr. BEALL. Yes; was not that one of the purposes you had?

Mr. SHOEMAKER. No. If I said that, I did not mean to say that. The object was to regulate and prevent these fearful slumps.

Mr. BEALL. Had you reduced the wages of these workingmen when the price of the product went down?

Mr. SHOEMAKER. When the price of the product went down low enough to absorb all the profit, we naturally reduced the cost, and in reducing the cost we were compelled to reduce the cost of labor.

Mr. BEALL. Do you remember in 1899 reducing the wages of your workingmen?

Mr. SHOEMAKER. I can not answer these questions from memory.

Mr. BEALL. Or in 1900?

Mr. SHOEMAKER. I can not answer these questions from memory. My memory is not good enough for that any more. I can not remember as well as I did 60 years ago.

Mr. BEALL. How many employees have you at the present time?

Mr. SHOEMAKER. We are employing 400 or 500. You know we are running low at this time.

Mr. BEALL. How many did you employ in 1900?

Mr. SHOEMAKER. I can not answer that.

Mr. BEALL. About how many? Of course, I do not expect you to be able to answer with exactness.

Mr. SHOEMAKER. If we were running full at the time, we employed in the neighborhood of possibly 900. If we strike a dull period we go down to 400 or 500. It all depends upon the conditions of trade, and how we are running.

Mr. BEALL. The purpose of this pool was to parcel out the percentage of sales allowed to the different members of it, and in that way to affect the price, was it not?

Mr. SHOEMAKER. No, sir; I can not say that it was to affect the price. It was to stop this terrible cutting and slashing.

Mr. BEALL. When you cut and slash prices you reduce them, do you not?

Mr. SHOEMAKER. And advance them, also.

Mr. BEALL. I say, when you talk about cutting and slashing prices that means reducing prices, does it not?

Mr. SHOEMAKER. Yes.

Mr. BEALL. It was to avoid the probability of a reduction in price that you went into it?

Mr. SHOEMAKER. It was to avoid the terrible fluctuations.

Mr. BEALL. When the prices went up, you did not object to upward fluctuations did you?

Mr. SHOEMAKER. We never objected to upward fluctuations, because we were not manufacturers of steel——

Mr. BEALL. The only fluctuations you objected to were downward fluctuations?

Mr. SHOEMAKER. We only objected to downward fluctuations.

Mr. BEALL. The purpose of that organization was, and is, to prevent downward fluctuations and to maintain prices?

Mr. SHOEMAKER. To maintain even prices; not a fixed price, but an even price. Sometimes it is higher and sometimes lower. It was to maintain an even market, as I understood it.

Mr. BEALL. In this agreement you had a minimum price below which you were not allowed to sell, had you not?

Mr. SHOEMAKER. In the agreement existing during the years of the association?

Mr. BEALL. Yes.

Mr. SHOEMAKER. Yes; there was a minimum price.

Mr. BEALL. That you were not permitted to go below?

Mr. SHOEMAKER. The understanding was that we were not to go below a maximum price.

Mr. BEALL. You kept the understanding?

Mr. SHOEMAKER. Yes; we lived up to it.

Mr. BEALL. You were permitted to sell as high as you pleased?

Mr. SHOEMAKER. Yes, sir.

Mr. BEALL. It did not require any association to permit you to sell at high prices?

Mr. SHOEMAKER. No, sir.

Mr. BEALL. But you formed the association and entered into this agreement, in which you all stipulated that you would not sell below a certain price?

Mr. SHOEMAKER. That was the understanding; that we would not go below a certain price.

Mr. BEALL. How often was that price changed?

Mr. SHOEMAKER. I can not answer that, offhand.

Mr. BEALL. Did you attend the monthly meetings?

Mr. SHOEMAKER. Some of them.

Mr. BEALL. As a representative of the association?

Mr. SHOEMAKER. As a representative of the association; but our interests were so slight in it that I missed many of them.

Mr. BEALL. You did not change the price, the minimum price, except as the result of conference between representatives of these different associations?

Mr. SHOEMAKER. Not at that time; not the minimum price.

Mr. BEALL. During those years?

Mr. SHOEMAKER. No, sir.

Mr. BEALL. How have you managed since the dissolution of this pool to prevent the cutting and slashing of prices that you looked upon with such abhorrence about 1900?

Mr. SHOEMAKER. We are not paying—well, I might say we pay but little attention to the price because, not being manufacturers of steel, but buyers of stock, we can not meet low figures, and our prices are nearly always above.

Mr. BEALL. That was about the situation in 1900 was it not? You have not changed your method of boing business, have you?

Mr. SHOEMAKER. It is very much the same; very much the same.

Mr. BEALL. What interested you in 1900 would interest you now, would it not?

Mr. SHOEMAKER. Yes; the same points would interest us.

Mr. BEALL. Why is it that you were so vitally concerned in 1900 about maintaining the stability of prices from 1900 up to the beginning of 1905, and it is not a matter of such vital concern to you now?

Mr. SHOEMAKER. It is a matter of importance to us now.

Mr. BEALL. What do you do now to prevent these violent fluctuations in price?

Mr. SHOEMAKER. We are not doing anything. We are just abiding by the condition of things.

Mr. BEALL. Does there exist now any of these violent fluctuations that you spoke about occurring about 1900?

Mr. SHOEMAKER. There has not been any for some time.

Mr. BEALL. How is it prevented?

Mr. SHOEMAKER. I think it has been prevented simply by the manufacturers meeting and talking the matter over generally, and expressions of opinion as to the condition of trade, without entering into any agreement or anything of the kind. They simply meet and talk it over.

Mr. BEALL. Well, did you meet and talk these things over about 1900 and 1901 and 1902 and 1903 and 1904?

Mr. SHOEMAKER. During the life of the Steel Plate Association we certainly not only talked them over, but we went further and agreed to them.

Mr. BEALL. Why was it necessary during those years to make an absolute agreement to maintain a fixed price when it has not been necessary since 1905?

Mr. SHOEMAKER. I do not know——

Mr. BEALL. Are about the same men engaged in the industry now that were engaged in it then?

Mr. SHOEMAKER. Yes.

Mr. BEALL. The same corporations?

Mr. SHOEMAKER. Yes; but I think it was proven from my standpoint during those years, that a uniform market, as nearly as possible, was a decided advantage to everybody concerned; and the aim has probably been to work along, on the even tenor of our ways.

Mr. BEALL. In other words, you have been trying to secure the same results in a different kind of way?

Mr. SHOEMAKER. Well, you might put it that way. In talking the matter over at a meeting, if the general expression of opinion showed that there was nothing to be gained by the decreasing or lowering of prices, and that we had better just let things move smoothly along, if everybody so expressed themselves, we naturally would do it.

Mr. BEALL. The last few years they have been running smoothly along, have they not?

Mr. SHOEMAKER. I warrant you they have been running smoothly along, without doing anything much.

Mr. BEALL. Of course, you can not regulate the demand, even by a pool, or by an association, but so far as the prices are concerned they have been moving along very satisfactorily, have they not?

Mr. SHOEMAKER. They have been moving along, and satisfactorily to some, but not moving along satisfactorily to us.

Mr. BEALL. Have you been making any complaints?

Mr. SHOEMAKER. Have we?

Mr. BEALL. Yes.

Mr. SHOEMAKER. Yes; many of us.

Mr. BEALL. To whom have you made them?

Mr. SHOEMAKER. To nobody in particular.

Mr. BEALL. You have just been complaining to yourself about it?

Mr. SHOEMAKER. No, sir; any business men that we happen to meet we might talk about conditions of the trade with.

Mr. BEALL. Is there not just as much an agreement between the folks engaged in your line of industry now as there was in 1903 and 1904?

Mr. SHOEMAKER. Not at all. We can go and sell plates to-day. At that time we could not sell plates below the rate, as I have said, without a certain penalty. It was an agreement; an understanding. There is nothing of the kind to-day. The ruling price of plates to-day, for instance, I think is 1.35 Pittsburg. We can go and sell at 1.25 if we want to.

Mr. BEALL. You do not do it, though, do you?

Mr. SHOEMAKER. You can depend upon it that we do not do it. As I say, we are not manufacturers of steel. It is not our line of business. Iron is our line.

Mr. BEALL. How long has it been since there was any change in the price of the products you buy?

Mr. YOUNG. Plates?

Mr. SHOEMAKER. The products we buy?

Mr. BEALL. Yes.

Mr. SHOEMAKER. I think we bought some product 10 days ago for less money than we have bought at for quite a while. Yes; I think about 10 days ago.

Mr. BEALL. Was that an exceptional case?

Mr. SHOEMAKER. No; I can not say that it was.

Mr. BEALL. Well, as a general thing since 1905, there has been stability in the market, has there not?

Mr. SHOEMAKER. Yes; a fair amount of stability I think most of the time. I would not like to say positively about that for six years past, because that is too much for my memory.

Mr. BEALL. In what form is the chief product that you buy?

Mr. SHOEMAKER. What is that?

Mr. BEALL. In what form do you buy the product that you do buy?

Mr. SHOEMAKER. Steel, you mean, of course?

Mr. BEALL. Yes; steel or iron.

Mr. SHOEMAKER. Steel.

Mr. BEALL. Well, steel?

Mr. SHOEMAKER. Not iron, but steel.

Mr. BEALL. Steel.

Mr. SHOEMAKER. In the form of steel slabs or ingots.

Mr. BEALL. How often during the past 12 months has the price of steel slabs or ingots changed?

Mr. SHOEMAKER. During the last 12 months—let me see. We have bought, I think, about three times, probably, for slightly lower prices.

Mr. BEALL. Each time?

Mr. SHOEMAKER. Each time.

Mr. BEALL. You made three purchases?

Mr. SHOEMAKER. What is that?

Mr. BEALL. You have only made about three purchases during the 12 months?

Mr. SHOEMAKER. No, sir; the price was lower three different times. We made a great many purchases.

Mr. BEALL. You made many purchases?

Mr. SHOEMAKER. Yes.

Mr. BEALL. And you recall in three instances, as I understand, that you purchased at a lower price than you did in the others?

Mr. SHOEMAKER. I think about three instances. We succeeded in getting lower quotations.

Mr. BEALL. Do you ask for quotations from different steel corporations when you want to make purchases?

Mr. SHOEMAKER. We certainly do.

Mr. BEALL. What companies do you ordinarily buy from? Do you buy from the United States Steel Corporation?

Mr. SHOEMAKER. We have not bought anything from the United States Steel Corporation for—oh, not for several years.

Mr. BEALL. Do you buy from the Bethlehem people?

Mr. SHOEMAKER. We have bought from the Bethlehem people.

Mr. BEALL. Or the Lackawanna?

Mr. SHOEMAKER. No. Let me think a moment. No; I do not think we have bought a ton from the Lackawanna.

Mr. BEALL. From what other concerns have you bought?

Mr. SHOEMAKER. We have bought from the Lukens Iron & Steel Co. and the Allen Wood Iron & Steel Co., I think.

Mr. BEALL. You ask for quotations from these different corporations?

Mr. SHOEMAKER. Yes, sir.

Mr. BEALL. Ordinarily they have quoted you the same prices?

Mr. SHOEMAKER. No, sir.

Mr. BEALL. To what extent do they vary?

Mr. SHOEMAKER. They did not quote us the same price——

Mr. BEALL. I understand in those three cases they did not, but I mean in the other cases?

Mr. SHOEMAKER. Very well. In those three cases that I named those quotations came from different parties. When we ask the Allen Wood Co. for a quotation on ingots, for instance, and the Lukens Iron & Steel Co. for a quotation on ingots, we do not receive the same quotation, and we give it to the one that quotes us the most favorable price.

Mr. BEALL. Well, you receive quotations from other companies?

Mr. SHOEMAKER. In slabs we receive quotations from—a few years ago, maybe four years ago, possibly—from a broker.

Mr. BEALL. Not from any steel corporation?

Mr. SHOEMAKER. We buy generally—if that is what your thought is—we do not buy at all of——

Mr. BEALL. What I am——

Mr. LINDABURY. Will you let him finish?

Mr. BEALL. I beg your pardon. I did not intentionally interrupt him.

Mr. SHOEMAKER. We do not buy exclusively or at all from the United States Steel Corporation, if that is your thought. We have not been buying from them at all.

Mr. BEALL. Well, from other steel corporations?

Mr. LINDABURY. He said something about buying from brokers.

Mr. BEALL. I will ask him about that.

Mr. SHOEMAKER. Other steel companies; and we bought largely from a broker, without knowing where he was going to get the steel.

Mr. BEALL. You do not know whom he represented?

Mr. SHOEMAKER. At the time we did not know. I found out afterwards when we were getting the steel that he got it from, I think, the Harrisburg Rolling Mills Co.—probably it was. It was some independent concern there that we got it from; and we bought it for less money, too, than we could have bought it for, maybe, on the open market generally—by buying it through a broker, for some reason or other.

Mr. BEALL. Your testimony is that there is no similarity of price, no agreement in prices that have been submitted to you by the different steel companies; that they do not submit the same prices?

Mr. SHOEMAKER. We have not had the same price submitted to us by the companies we buy of for years.

Mr. LINDABURY. What does this witness say he makes? I could not hear. I suppose he testified to it.

Mr. YOUNG. Iron.

Mr. BEALL. He says his business is chiefly iron, but he does buy some steel plates.

Mr. SHOEMAKER. The steel plates is a side issue.

Mr. BEALL. You do not make pig iron?

Mr. SHOEMAKER. No, sir.

Mr. BEALL. You buy it?

Mr. SHOEMAKER. We buy our pig iron.

The CHAIRMAN. What do you make; what kind of iron?

Mr. SHOEMAKER. Iron plates.

The CHAIRMAN. Bar iron?

Mr. SHOEMAKER. Iron plates for standpipes, tanks, boilers, ships, bridges, and largely skelp.

Mr. LINDABURY. What is that?

Mr. SHOEMAKER. Skelp—s-k-e-l-p. It is used for welded pipe, iron pipe.

Mr. BEALL. That is all.

The CHAIRMAN. That is all.

Mr. LINDABURY. You are discharged with the thanks of the committee, in which I join.

The CHAIRMAN. All right. That is all, sir.

TESTIMONY OF MR. JAMES PETER ROE.

(The witness was duly sworn by the chairman).

Mr. YOUNG. What is you business, Mr. Roe?

Mr. ROE. I am general superintendent of the Glasgow Iron Co.

Mr. YOUNG. Do you know anything about this Plate Association agreement?

Mr. ROE. I know that such an agreement existed some years ago.

Mr. YOUNG. Do you know when it began?

Mr. ROE. Not to the month. I know about.

Mr. YOUNG. When was it?

Mr. ROE. About 1900.

Mr. YOUNG. Was the Glasgow Iron Co. a party to it?

Mr. ROE. It was.

Mr. YOUNG. Do you know when it ended?

Mr. ROE. The early part of 1905.

Mr. YOUNG. During that time you reported to Mr. Temple monthly your product?

Mr. ROE. I understand so. I had nothing to do with that, though.

Mr. YOUNG. Did you receive reports from Mr. Temple showing the amount of productoin of the other companies?

Mr. ROE. We did, as a company; and I saw some of those reports. I did not see them all.

Mr. YOUNG. You had to make some payments to the Association because of excess production?

Mr. ROE. We did, though I believe it was only one. That comes indirectly to me. I do not know directly, because I had little or nothing to do with the books of the company in any way. I am on the operative end.

Mr. YOUNG. I do not think I care to pursue this.

Mr. BEALL. I will just ask a few questions. Do you remember anything about what became of the checks that you issued payable to Mr. King?

Mr. ROE. As I say, that is really outside of my province altogether. I never saw the checks.

Mr. BEALL. Are you the secretary?

Mr. ROE. No; I am not the secretary. I am the general superintendent, which only embraces the operative end.

Mr. BEALL. You know nothing about that?

Mr. ROE. Virtually nothing, except indirectly.

Mr. BEALL. What is the largest number of men you have had employed since 1900?

Mr. ROE. About eleven hundred at any one time.

Mr. BEALL. And what is the smallest number?

Mr. ROE. Two.

Mr. BEALL. I really do not see that there is anything that this witness can testify to that has not been gone over.

The CHAIRMAN. I will ask a few questions. What is your business in that concern? What do you do?

Mr. ROE. I control the operative end.

The CHAIRMAN. The operative end. That is, you boss the workmen?

Mr. ROE. I boss the workmen.

The CHAIRMAN. How many were there there when this contract went into effect?

Mr. ROE. You mean the 1900 contract?

The CHAIRMAN. Yes, sir.

Mr. ROE. I can not tell you, at that time; but through 1899 my impression is very distinct that we had eleven hundred. That was a very good year, following a depression of several years.

The CHAIRMAN. In 1900 how many did you have?

Mr. ROE. I can not be quite as positive, but I would say the number was lowering.

The CHAIRMAN. From the year 1900 to this good year 1911——

Mr. ROE. This is not a good year, from a business standpoint.

The CHAIRMAN. I mean this good year of our Lord.

Mr. ROE. Oh, yes, sir.

The CHAIRMAN. We are all happy. I have learned to be happy without a dollar; so it is a good year, if a man is happy and healthy and well, and has a clean conscience, even if he is not making a million every 12 months. That is strange doctrine, perhaps, but I believe in it most devoutly.

Mr. ROE. That is the proper attitude, sir.

The CHAIRMAN. From 1900 to 1911 you have been the general manager of the company?

Mr. ROE. The general superintendent.

The CHAIRMAN. Your business was to superintend and manage these workmen, was it not?

Mr. ROE. Yes.

The CHAIRMAN. You knew them?

Mr. ROE. Yes, sir; personally.

The CHAIRMAN. You worked with them, and knew them personally?

Mr. ROE. Most of them.

The CHAIRMAN. You were in close contact with them?

Mr. ROE. Yes, sir.

The CHAIRMAN. This contract recites that the moving reason was to better the condition of the workmen.

Mr. YOUNG. We have not seen the real contract.

The CHAIRMAN. I mean the printed memorandum says that it is done for the workmen.

Mr. LINDABURY. I imagine that they put that in all of them.

The CHAIRMAN. Yes; I imagine so. There is a strange kind of irony about it that impresses me.

Now, this contract recites that it was done for the benefit of the workmen. In 1900 you had about 1,000 workmen, you say?

Mr. ROE. I think rather less than that, and lessening toward the end of the year.

The CHAIRMAN. Nine hundred?

Mr. ROE. Probably.

The CHAIRMAN. You work in a Quaker settlement, do you not?

Mr. ROE. In what?

The CHAIRMAN. Is not that a Quaker settlement?

Mr. ROE. No. In Philadelphia there are a great many more Quakers.

The CHAIRMAN. You are in Coatesville, are you not?

Mr. ROE. No; Pottstown, which is about 40 miles from Philadelphia.

The CHAIRMAN. In Pottstown how many American citizens did you have working at that time?

Mr. ROE. About 95 per cent.

The CHAIRMAN. How many have you now?

Mr. ROE. Do you mean in percentage or the number of men?

The CHAIRMAN. Yes; American workmen.

Mr. ROE. The same percentage, about.

The CHAIRMAN. Have you not increased the percentage of foreigners?

Mr. ROE. No; there are very few foreigners in our employ.

(After a humorous colloquy:)

The CHAIRMAN. I want to know how many of them were then and are now American citizens, getting the benefit of these raises, which we can not find except in the contracts and in the abstract statements of witnesses. We do not get any sheets, we do not get and specific statement as to the raises; and that is what I am after.

Mr. LINDABURY. It may be that this man can tell you.

The CHAIRMAN. Can you tell me when, after this contract was entered into, you raised the wages of your workmen?

Mr. ROE. Not specifically as to the date; but they were raised about a year after. I should judge in 1905.

The CHAIRMAN. You went into it in 1900, did you not?

Mr. ROE. I was thinking of 1904, when they had stopped. There was a drop in 1904. I could outline, in a general way, though, the average condition.

Mr. LINDABURY. He means, beginning with 1900, what did you do?

The CHAIRMAN. How long have you been in the iron business?

Mr. ROE. Since I was a boy.

The CHAIRMAN. Let us go back to 1880. What did a heater get then? Or, say 1890. What did a man who heated ingots get?

Mr. ROE. Somewhere around $4 to $5 a day.

The CHAIRMAN. How much did he get a hundred?

Mr. ROE. A hundred pounds?

The CHAIRMAN. Or a ton; in heating.

Mr. ROE. In heating, in those days, it was done altogether in a different way.

The CHAIRMAN. I am asking how much he got for heating a ton.

Mr. ROE. About 87 to 95 cents.

The CHAIRMAN. How much does he get now?

Mr. ROE. With us, 39 to 41 cents.

The CHAIRMAN. He has advanced at that rate?

Mr. ROE. Yes, sir.

The CHAIRMAN. That is all.

Mr. YOUNG. How much does he get per day?

Mr. ROE. As I explained, the method is entirely a different one.

Mr. DANFORTH. How many tons did he turn out?

Mr. ROE. About 3 to 4 tons.

Mr. DANFORTH. In how long a time?

Mr. ROE. Twelve hours' work.

Mr. DANFORTH. How many tons does he turn out now?

Mr. ROE. About 12 or 13.

Mr. DANFORTH. What is the day's work?

Mr. ROE. Twelve hours, nominally. They actually work, or they are there in the plant, about 11 hours, and they are working only a few hours in that period.

The CHAIRMAN. You work your men 12 hours in a day?

Mr. ROE. Nominally 12.

The CHAIRMAN. Nominally?

Mr. ROE. Yes, sir.

The CHAIRMAN. They report for work when?

Mr. ROE. They report at 6 o'clock in the morning.

The CHAIRMAN. When do they quit?

Mr. ROE. Generally about 5 in the afternoon; and the same way on the night turn.

The CHAIRMAN. About 5 o'clock?

Mr. ROE. Yes, sir.

Mr. LINDABURY. What did you mean by saying they did not work all the time?

Mr. ROE. Their work is of a very intermittent character.

The CHAIRMAN. I understand that when a man is working in a blast furnace, or working in a rolling mill, there is a time when there is no ingot going through the roll, and he waits just like a man who is standing at a threshing machine, waiting between loads of wheat.

Mr. ROE. Yes, sir.

The CHAIRMAN. He gets time to breathe and to take a drink of water, or something of that kind, between loads.

Mr. ROE. Certainly.

The CHAIRMAN. And if a man is a fireman on an engine, and he throws in 8 or 10 shovelfuls of coal, he waits until there is need for more coal. But do you permit your men to go out to a ball game, or to go out and play "pins," or to spark the girls, or to enjoy themselves in any kind of recreation between the time they come to your mill and the time they leave?

Mr. ROE. I think we could only do that once.

The CHAIRMAN. Only once? They are subject to your call from 6 o'clock in the morning until 5 in the evening?

Mr. ROE. Yes, sir. There has to be discipline of some sort.

The CHAIRMAN. Yes; there has to be discipline.

Mr. ROE. But it is not arduous work.

The CHAIRMAN. They do not work like a machine, all the time, and never stop?

Mr. ROE. No, sir; that is it.

The CHAIRMAN. You let them rest at times?

Mr. ROE. It is not arduous work in that sense.

Mr. LINDABURY. Let him state how much the heaters make in a day now.

The CHAIRMAN. I will get to that. You have a right to keep them there until 6 o'clock?

Mr. ROE. Yes.

The CHAIRMAN. You work two shifts a day?

Mr. ROE. Yes.

The CHAIRMAN. Now, to come back to the heaters—in 1896, say, or 1890, how many tons of metal could a heater heat?

Mr. ROE. I referred in what I was speaking about to the iron basis, because the basis almost necessarily went on that, back in 1880, when it was all iron product. I took the comparison on the basis of the iron. That was before the days of steel, or before it was commonly used. In 1890, I would say, about 10 tons to a turn.

The CHAIRMAN. Ten tons?

Mr. ROE. Yes, sir.

The CHAIRMAN. In 1890?

Mr. ROE. Yes.

The CHAIRMAN. And he got how much for it; 70 cents a ton, was it not?

Mr. ROE. No, no; indeed. Then the change as regards the method of heating had taken place.

The CHAIRMAN. How much a ton did he get in 1890, when it was 10 tons?

Mr. ROE. In 1890, I would judge--this can not be positive——

The CHAIRMAN. Well, your best opinion.

Mr. ROE. In 1890, about the same rate as to-day; about 39 or 40 cents.

The CHAIRMAN. How much?

Mr. ROE. Thirty-nine or forty cents.

The CHAIRMAN. Forty cents?

Mr. ROE. Yes, sir.

The CHAIRMAN. Are you sure about that?

Mr. ROE. As I said, I can not be quite sure; but I am fairly definite.

The CHAIRMAN. At that time was your labor organized or unorganized?

Mr. ROE. Unorganized.

The CHAIRMAN. When did your labor cease to be organized? Did you ever have organized labor?

Mr. ROE. We have never had organized labor.

The CHAIRMAN. When was it that they got 70 cents a ton?

Mr. ROE. For coal heating. That was in 1880.

The CHAIRMAN. In 1880?

Mr. ROE. Yes, sir; 70 to 90, I think I said.

The CHAIRMAN. In 1890 they got about 40 cents?

Mr. ROE. In 1890 they got about 40 cents, on the change in the method of heating.

The CHAIRMAN. How much did they make a day then?

Mr. ROE. About $4.

The CHAIRMAN. $4 a day in 1890?

Mr. ROE. Yes, sir.

The CHAIRMAN. How much do they make to-day?

Mr. ROE. Our heaters average between $5 and $6. Well, about $5.

The CHAIRMAN. Yes. $5?

Mr. ROE. $5.

The CHAIRMAN. At the time a heater got, say, $4 a day, what was farm labor bringing in that country?

Mr. ROE. I do not know.

The CHAIRMAN. Was it not bringing 50 cents a day?

Mr. LINDABURY. What was that?

The CHAIRMAN. Was not average farm labor bringing 50 cents a day?

Mr. LINDABURY. When?

The CHAIRMAN. In 1890.

Mr. ROE. Possibly; and their keep. I do not know.

Mr. LINDABURY. I will say that I was employing them at $1.50 a day regularly. I, and everybody in my neighborhood, paid $1.50 a day. That was the regular rate.

The CHAIRMAN. The rate was 50 cents a day in my country.

(After a humorous colloquy:)

Mr. DANFORTH. In 1880, how much did these men get?

Mr. ROE. I would say about $3.60.

Mr. DANFORTH. And the number of hours a day was the same?

Mr. ROE. The same hours.

The CHAIRMAN. You say that since 1890 you have increased the wages of heaters from $4 a day to $5 a day?

Mr. ROE. Approximately that. Of course, there have been fluctuations.

The CHAIRMAN. I will ask you if the wages of other laborers outside of the steel mills have not increased 100 per cent since 1890?

Mr. ROE. From the year 1890 to 1911 it has not increased 100 per cent. Taking it from the year 1892 to 1896 or 1897 it has increased 100 per cent.

The CHAIRMAN. The Attorney General will be before the committee at 2 o'clock promptly.

The WITNESS. I am excused, am I, sir?

The CHAIRMAN. Yes.

(The committee thereupon, at 1.07 p. m., took a recess until 2 o'clock p. m.)

AFTER RECESS.

(At the expiration of the recess the committee resumed its session.)

STATEMENT OF HON. GEORGE W. WICKERSHAM, ATTORNEY GENERAL OF THE UNITED STATES.

The CHAIRMAN. Mr. Wickersham, we have before us a copy of a report made by Mr. Burdette D. Townsend to Attorney General Bonaparte. Do you know anything of this report?

Mr. WICKERSHAM. I do not, Mr. Chairman. I never saw it until you showed it to me a moment ago.

The CHAIRMAN. Are you familiar with the demand made by the Senate of the Bureau of Corporations, under the resolution passed by the Senate and referred to the Bureau of Corporations, requiring the Bureau of Corporations to investigate the International Harvester Co. in 1908?

Mr. WICKERSHAM. I have some vague recollection of hearing of some such resolution, but no definite knowledge on the subject.

The CHAIRMAN. Do you know whether Mr. Burdette D. Townsend is still in the employ of the Government, or the Department of Justice, or not?

Mr. WICKERSHAM. Yes; he is a special assistant.

The CHAIRMAN. Where?

Mr. WICKERSHAM. At present he is in Seattle, Wash. He is employed in a number of cases by the Department, and is now in Seattle.

The CHAIRMAN. I dislike very much to go to the expense to the Government of sending a subpœna to that place for him. I will suggest, Mr. Attorney General, if he can be spared, that he be allowed to appear before the Committee at some time.

Mr WICKERSHAM. Yes; I should like very much to arrange with the committee as to the time, because he is engaged at present in some very important work there that he could not leave at the present moment without very great inconvenience.

The CHAIRMAN. If the Attorney General will indicate, at his convenience, about what time he will finish this work, we shall be much obliged. We shall probably have several witnesses—Mr. Carnegie for instance—before us in October.

Mr. WICKERSHAM. Oh, yes; I could arrange for that—certainly.

The CHAIRMAN. We might take him up at that time.

Mr. WICKERSHAM. Yes, sir.

The CHAIRMAN. I thought I would not send a subpœna for him.

Mr. WICKERSHAM. No; he will come. Whenever you want him, and I can arrange it, I will bring him here.

The CHAIRMAN. Do you know of any reason, Mr. Attorney General, why this investigation of the affairs, the acts and doings of the International Harvester Co. was not acted upon by the Department of Justice prior to the time you became Attorney General?

Mr. WICKERSHAM. I have no knowledge upon that subject. It would be a mere surmise. My surmise would be that, pending the decision by the Supreme Court of the United States of the proceedings against the Tobacco Co. and the Standard Oil Co., it was not considered desirable to press this case—that is, that very many of the questions involved in those two prosecutions would also be involved in any consideration of this case. I say that is merely my surmise. I have no knowledge on the subject.

The CHAIRMAN. At what date was the tobacco suit brought?

Mr. WICKERSHAM. The tobacco suit was brought in 1907. I can not give you the exact date. My recollection would be November, 1907.

The CHAIRMAN. My information is that this report antedates that suit. Have you any objection to filing with the committee the original report made by Mr. Burdette D. Townsend?

Mr. WICKERSHAM. I know of no objection, Mr. Chairman. I should like to look at it and see if there be anything. As you have the copy there, I can see no objection to your having the original.

The CHAIRMAN. I see none. In order that any clerical errors that there may be in this copy may be corrected, I shall appreciate it if you will have a certified copy sent to the chairman of the committee.

Mr. WICKERSHAM. You have a copy there, although perhaps you want to keep it. If you will give me that I will have it checked over with the original and certified, or I can have another copy made.

The CHAIRMAN. I had several copies.

Mr. WICKERSHAM. Have you the date there, Mr. Chairman?

The CHAIRMAN. No, sir; I have not the date when it was made. I can find you the date approximately. I do not know why the date was left off.

Mr. WICKERSHAM. It was made four or five years ago, was it not?

The CHAIRMAN. Yes, sir. I have a copy of it.

Mr. LINDABURY. Several copies have been produced.

The CHAIRMAN. Oh, there have been a dozen of them.

Mr. LINDABURY. May I have one?

The CHAIRMAN. Certainly. I was going to suggest that I will have this printed as an appendix to the hearing; and I will make you another copy if you wish.

Mr. LINDABURY. You have not an extra one now?

The CHAIRMAN. No, sir; I have not.

Mr. BARTLETT. It is going to be printed.

The CHAIRMAN. This copy will go to the stenographer. The Attroney General has one. I will suggest that as soon as the Attorney General returns the corrected copy, I will take pleasure in turning it over to you.

Mr. LINDABURY. It is presumably correct.

The CHAIRMAN. The hearings will be printed by to-morrow or next day.

Mr. LINDABURY. Very well. I should be glad to have it to-day if I could; but if I can not, it will only be one of many deprivations. [Laughter.]

The CHAIRMAN. I had a dozen copies made. If I had thought to do so, I would have kept one for you; but I threw them around here and they have all disappeared.

Mr. LINDABURY. I was not at liberty to pick one up, and therefore I am without it—the only man in the room who has not it. I do not like to be discriminated against.

The CHAIRMAN. If no members of the committee care to question the Attorney General further, we will excuse you, with the sincere appreciation of the committee of your kindness.

(The report above referred to will be found appended to to-day's hearing.)

TESTIMONY OF N. W. NOLEN.

(The witness was duly sworn by the chairman, and testified as follows:)

The CHAIRMAN. You are with the Crucible Steel Co. of America?

Mr. NOLEN. Yes, sir.

The CHAIRMAN. Your company, the Crucible Steel Co. of America, was a party to this agreement?

Mr. NOLEN. It seems to be from the records I find in the books.

The CHAIRMAN. You are here under subpœna duces tecum to produce those records?

Mr. NOLEN. Yes, sir.

The CHAIRMAN. You have them with you?

Mr. NOLEN. I examined the books, and have brought a record of the entries on our books in relation to the association. It is not called the same name that is in the subpœna, but it appears to be the same one.

The CHAIRMAN. The Steel Plate Association? Will you kindly furnish those records to the committee?

(Mr. Nolen produced certain papers.)

The CHAIRMAN. Are you the keeper of these books?

Mr. NOLEN. They are under my charge now. They were not at that time.

The CHAIRMAN. They were not at that time?

Mr. NOLEN. No.

The CHAIRMAN. When did you take possession of these books? When did you become the bookkeeper?

Mr. NOLEN. I have been in the accounting department of the company ever since it was formed, in various capacities, from clerk up to my present position as comptroller.

The CHAIRMAN. Did you know of the formation of this Steel Plate Association at the time?

Mr. NOLEN. No; I did not know of its formation.

The CHAIRMAN. This is just the record of the book kept by a bookkeeper prior to the time you became bookkeeper?

Mr. NOLEN. Yes, sir.

The CHAIRMAN. This is the same thing as the others?

Mr. BEALL. I notice that the first entry here is: "To balance from Park Steel Co., $36,926.62." What was the Park Steel Co.

Mr. NOLEN. That was a subsidiary company, and for a while it was run under a separate name; and on our books now it reads that way, although their books could probably be examined and show monthly entries to make that sum. That was transferred at the time the books were transferred.

Mr. LINDABURY. What is that date?

Mr. BEALL. That is August 31, 1901. On August 31, 1901, there is another entry, reading: "To amount of credit for month, $3,776.84." What does that mean?

Mr. NOLEN. That refers to a notice received from the Plate Association that that much had been placed to their credit. The company received these notices monthly, and settlements appeared to be made at the end of the year.

Mr. BEALL. For what reason did you understand that was placed to your credit?

Mr. NOLEN. I did not understand the reason then. In fact, I did not know of the entries, except in an imperfect manner, until I got the subpœna and then examined the books.

Mr. BEALL. What is your judgment as to why that entry was made?

Mr. NOLEN. From what I have heard here, and all that, I judge it is our proportion of the Steel Plate Association. With us it was a credit most of the time.

Mr. LINDABURY. I think you will find, if you look at the sheets produced by Houston, that this was their credit for underselling.

Mr. BEALL. I supposed that was it, and I was trying to get that point brought out. It seems to have been done during each of the months of August, September, and October, and then beginning again with January, 1902. I suppose this means that you did not sell your allotted share during any of those months?

Mr. NOLEN. It seems to be that way.

Mr. BEALL. That is what these credits mean. That is all I want to ask.

The CHAIRMAN. You are excused, Mr. Nolen.

(The paper produced by Mr. Nolen was, by direction of the committee, made a part of the record at this point. It is as follows:)

PLATE STEEL MANUFACTURERS' ASSOCIATION.

1901—Aug. 31.	To balance from Park Steel Co	$36,926.62	
Aug. 31.	To amount of credit for month	3,776.84	
Sept. 30.	To amount of credit for month	4,955.12	
Oct. 31.	To amount of credit for month	9,251.70	
1902—Jan. 30.	By cash, Willis L. King		$50,410.28
Jan. 31.	By transfer to guaranty deposit account		4,500.00
		54,910.28	54,910.28

1902—Jan.	31.	To amount of credit for month	$8,929.61	
Feb.	28.	To amount of credit for month	7,849.29	
Mar.	31.	To amount of credit for month	10,028.06	
Apr.	30.	To amount of credit for month	8,917.55	
May	31.	To amount of credit for month	9,203.84	
June	30.	To amount of credit for month	7,778.05	
July	31.	To amount of credit for month	9,128.23	
Aug.	30.	To amount of credit for month	8,187.42	
Sept.	30.	To amount of credit for month	8,688.00	
Oct.	31.	To amount of credit for month	14,714.82	
Nov.	29.	To amount of credit for month	7,120.54	
Dec.	31.	To amount of credit for month	8,913.54	
1903—Jan.	19.	By cash, Jones & Laughlin Steel Co		$109,458.95
			109,458.95	109,458.95
1903—Jan.	31.	To amount of credit for month	1,528.69	
Feb.	28.	To amount of credit for month	2,140.60	
Mar.	31.	To amoung of credit for month, originally $6,893.14, corrected to	3,223.85	
Apr.	30.	To amount of credit for month	3,069.86	
May	31.	To amount of credit for month	2,415.93	
June	30.	To amount of credit for month	2,284.53	
July	31.	To amount of credit for month	3,456.32	
Aug.	31.	To amount of credit for month	4,110.02	
Sept.	30.	To amount of credit for month	2,513.91	
Oct.	31.	To amount of credit for month	2,026.70	
Dec.	31.	To amount of credit for month, November, 1903	1,384.29	
Jan.	31.	To amount of credit for month, December, 1903	236.11	
1904—Feb.	29.	By amount of debit for month, January, 1904		95.69
Mar.	31.	By amount of debit for month, February, 1904		896.25
Apr.	30.	By amount of overshipment for month, March, 1904		3,378.66
May	31.	To amount of credit for month, April, 1904	272.96	
June	30.	To amount of credit for month, May, 1904	812.03	
July	30.	By amount of debit for month, June, 1904		617.59
Aug.	15.	To amount of credit for month, July, 1904	936.07	
Aug.	31.	To amount of credit for month, August, 1904	4.28	
Sept.	30.	To amount of credit for month, September, 1904	313.28	
Nov.	30.	To amount of credit for month, October, 1904	216.12	
Dec.	31.	By amount of debit for month, November, 1904		692.70
1905—Jan.	27.	By amount of debit for month, December, 1904		836.87
Jan.	26.	By cash, Jones & Laughlin Steel Co		24,427.79
			30,945.55	30,945.55

Guaranty deposit account.

1902—Jan.	31.	To transfer from Plate Steel Manufacturers' Association account	4,500.00	
1905—Feb.	24.	By cash from Plate Steel Manufacturers' Association, Jones & Laughlin Steel Co		4,500.00

(The committee thereupon adjourned, with the understanding that the next meeting would be held in New York City, N. Y., at 10.30 o'clock a. m.)

APPENDIX.

The following is the report of Mr. Burdette D. Townsend, referred to in the statement of the Attorney General and printed as an appendix by direction of the committee:

ATTORNEY GENERAL, *Washington, D. C.*

SIR: On August 12, 1902, the International Harvester Co. was organized under the laws of the State of New Jersey. Prior to that time the manufacture and sale of harvesting machinery in the United States was divided among 13 independent competitors. Immediately after its organization the International Harvester Co. absorbed five of the most important of these competitors. Thereby it acquired control of about 80 per cent of the total commerce of harvesting machinery in the United States. Its business has since been increased until to-day it controls about 90 per cent of the total business, and thus a single institution has acquired a substantial monopoly of this branch of commerce.

This commercial condition naturally suggests this question, viz, Is the International Harvester Co. either the result or the means of a "contract, combination, or conspiracy" in restraint?

Several months ago I became interested in this subject. I gave it as thorough investigation as I could from this point, and became convinced that the question must be answered in the affirmative. Therefore on May 28, 1906, I addressed a letter to your office on the subject over the signature of Mr. Bourke, which finally resulted in securing your authority to go to Chicago for the purpose of ascertaining if the facts warranted this conclusion and evidence of these facts could be obtained.

In the latter part of October last I went to Chicago pursuant to this authority, and I now have the honor to submit the result of my consideration and investigation of the subject.

I will preface my report by saying that not only do the facts support my original conclusion, but these facts can be proven with much greater ease than I had anticipated.

For the purpose of clearness I will observe the following topical subdivisions in presenting the facts:

I. *Commercial conditions preceding the organization of the International Harvester Co.*—To justly appreciate the purpose of the organization of the International Harvester Co., an understanding of previous commercial conditions is essential. It places before us the circumstances which confronted and inspired its organizers, and enables us to observe their opportunity to form a trust or combination, and the financial and commercial advantages which such a combination would possess.

II. *The organization of the International Harvester Co.*—Under this topic I will present the details of its organization, its immediate effect upon commerce, the character of the commerce affected, and its effect upon the commercial status of its organizers.

III. *The conduct of the International Harvester Co.*—Under this topic will be presented the methods of the company, together with their effect upon commerce. This topic is particularly important. It shows the extent of the injury which has been wrought and which should be remedied by appropriate action. Moreover, it will greatly assist us in determining the purpose and object of the combination. We can best ascertain what the parties intended to accomplish by what they immediately proceeded to do. It is certain that they pursued the purpose which inspired the combination, and that purpose can be determined better by considering what they did than by what they said.

I. COMMERCIAL CONDITIONS PRECEDING THE ORGANIZATION OF THE INTERNATIONAL HARVESTER CO.

It is difficult to discuss the development of the trade in agricultural implements in the United States without indulging expressions of admiration. No field of industry presents a better illustration of American inventive and commercial genius. Industrial effort never met with more abundant reward. Gigantic institutions and immense personal fortunes were created out of the profits of the business, and at the same time invention fairly excelled itself in the production of implements—at first useful, now industrial necessities.

Before the organization of the International Harvester Co. this branch of trade was practically unaffected by trust combinations, and had developed along lines of normal and healthy competitive industry. Yielding to natural laws of trade, the manufacture of farming implements resolved itself into well-defined classes.

(1) *Tillage implements.*—One class engaged in the manufacture of tillage implements, such as plows, disks, harrows and other implements designed to prepare the soil for seeding.

(2) *Seeding implements.*—Another class engaged in the manufacture of seeding implements, such as seeders, drills, and other similar devices designed to plant and sow the crops.

(3) *Harvesting implements.*—Another class engaged in the manufacture of harvesting machinery, consisting of mowers, hayrakes, corncutters, corn shredders, headers, reapers, and binders or harvesters.

(4) *Thrashing machinery.*—Another class engaged in the manufacture of thrashing machines and engines.

(5) *Other classes.*—In addition to the foregoing there were various other classes engaged in the manufacture of implements and machinery designed for general agricultural use, as for instance one class manufacturing windmills, another class manufacturing wagons and other vehicles, another class engaged in the manufacture of smaller implements, such as hoes, rakes, forks, etc., another class engaged in the manufacture of implements and machinery used in the production of dairy supplies, such as cream separators, gasoline engines, etc.

I do not mean that there was a fixed rule of classification. In a few instances the manufacturers of one class also engaged in the manufacture of other implements. But even in such cases it was done only to a very limited extent, and incidental to the principal business; as for instance, some of the thrashing machine companies having large foundries utilized their foundries and surplus iron in making plows, which consist principally of castings.

During the past few years efforts have been made to form a trust of nearly every class of agricultural implements. All have failed excepting the Harvester Trust. There were natural reasons in the trade conditions why a monopoly of harvesting machinery could be most easily formed, and when formed would be the most powerful, viz:

(1) Comparative volume of trade in harvesting machinery; (2) patent rights, the susceptibility of the harvester trade to trust combinations by reason of the operation of the patent laws; (3) power of a harvester trust to monopolize trade in other implements; (4) concentration of the harvester trade among a few competitors; (5) concentration of control of the principal competitors among a few stockholders.

COMPARATIVE VOLUME OF TRADE IN HARVESTING MACHINERY.

In grain-growing States like Wisconsin, Minnesota, North Dakota, South Dakota, Illinois, Iowa, Nebraska, Kansas, and Texas, harvesting machinery, including binding twine, constitutes more than one-half of the total machine and implement expense of farming.

Harvesting machinery is therefore naturally of the most influential class, owing to the comparative volume of its business.

PATENT RIGHTS.

Modern farming implements are the product of invention. At some time the manufacture of each class of implements was protected by patent. But in course of time a great many of these patents expired, so that to-day the general design and essential devices of most implements are free from patent rights. It is true that improvements have been constantly added, and these improvements have been made the subject of patents, some of which are still pending. But in the case of most implements these patents do not affect the essential parts. Thus in the case of plows, seeders, and even mowers, there are no existing patents affecting the essential parts of the machines. The only patents in force relate to some device calculated to add to the convenience of their use. In the case of harvesters it is otherwise. The essential device of a harvester is the knotter, the device which ties the bundle of grain. Without this device the machine would not be a harvester or binder, but simply a reaper. Now, all known knotting devices are still protected by patent rights. Of course I mean knotting devices of sufficient merit to offer successful competition in the trade of harvesters. I believe the patents covering the earliest knotters have expired, but those devices could not compete with the improved devices of to-day which are still protected by patent. I feel justified in saying that patents affected the manufacture of harvesters more than any other class of farm implements, for the reason, as stated, that the patents relate to the essential, the distinguishing device of a harvester.

Now, it is easier to create a monopoly of the manufacture and sale of machines the essential device of which is protected by patent, than other implements. A patent

right creates a monopoly of the type patented. If all types engaged in competition are protected by patents, and all of these patents are acquired by a single manufacturer, a complete monopoly results.

POWER OF A HARVESTER TRUST TO MONOPOLIZE TRADE IN OTHER IMPLEMENTS.

This results largely from the method of retail distribution of agricultural implements. Farm implements are sold to the consumer through local agents. There is a retail implement dealer in every village of North Dakota. Now, local demand is not sufficient to enable retail dealers to profitably engage in the sale of but one class of implements. Thrashing machinery is the only exception; the profits of a single sale being very large. But dealers in other implements can not confine their business to any one class, or even several classes. This trade condition can not be overcome.

Each class of farm machinery is a necessity for successful agriculture. Therefore you will see that it is in the power of a monopoly of one class to engage in the manufacture of other implements, and by refusing to deal through any local dealer except those who will handle all of their products exclusively to ultimately monopolize the entire trade in farm implements.

But here, again, the operation of the patent laws favor harvesting machinery. Let me illustrate. A plow trust could not make harvesters, because the essential device of harvesters is protected by patent; but a harvester trust could make plows, because none of the essential devices of a plow are protected by patent.

CONCENTRATION OF TRADE AMONG A FEW COMPETITORS.

Compared with other classes of agricultural implements, the number of manufacturers of harvesting machinery was very small. The reason for this condition was not that the business was unprofitable. On the contrary, it was the most profitable of them all. The operation of the patent laws was the cause. None could engage in the business without a knotting device. The known knotting devices were all protected by patents; the number of manufacturers were therefore limited to the number of knotting devices.

Below is a list of all of the manufacturers of harvesters engaged in business at the time of the organization of the International Harvester Co. If I omit any, it is because I have not learned of them, owing to their insignificance.

To explain my classification of these companies, I will briefly state the general facts concerning the composition of the International Harvester Co., and its acquisition of competing plants, although these facts more properly belong to the next topical subdivision.

In August, 1902, there were 13 independent manufacturers of harvesting machinery. Five were merged into the International Harvester Co.; within two years four more were acquired by it, leaving but four independent competitors (and there is some doubt as to their independence).

For a better understanding of the situation, I will therefore group these companies as follows:

(1) Those merged into the International Harvester Co.; (2) those afterwards acquired by the International Harvester Co.; (3) those still independent.

To present a ready view of the comparative influence of these companies, I will note opposite each the amount of its invested capital. The following is the basis of my figures: As to each of the companies composing group 1, I will adopt the amount at which its assets were appraised and turned into the International Harvester Co; as to each of the companies composing group 2, I will adopt the price paid by the International Harvester Co.; as to the companies composing group 3, the amount is approximated from the best sources available. The amounts are sufficiently accurate for the purpose.

GROUP 1.

Name.	Trade-mark.	Assets.
McCormick Harvesting Machine Co	McCormick	$51,000,000
Deering Harvester Co	Deering	40,000,000
Plano Manufacturing Co	Plano	4,000,000
Warder, Bushnell & Glessner Co	Champion	8,000,000
Milwaukee Harvester Co	Milwaukee	2,700,000

GROUP 2.

Name.	Trade-mark.	Assets.
D. M. Osborn & Co	Osborne	$4,000,000
Aultman, Miller & Co	Buckeye	700,000
Minneapolis Harvester Co	Minnie	700,000
Keystone Co	Keystone	460,000

GROUP 3.

Acme Harvester Machine Co	Acme	$6,500,000
Walter A. Wood Harvester Co	W. A. Wood	
Johnson Harvesting Machine Co	Johnson	
Adriance-Platt Co	Esterley	

I will now give the total assets of the three groups, respectively, and indicate the proportionate distribution among them of the total harvester trade in the United States:

	Assets.	Per cent of total harvester trade.
(1) Companies merged into the International	$105,700,000	80
(2) Companies acquired by the International	5,800,000	10
(3) Companies still independent	6,500,000	10

Of these companies, the McCormick, Deering, and Osborne companies were engaged in the manufacture of binding twine. These three companies, together with the Plymouth Cordage Co., made 80 per cent of all of the binding twine produced in the United States.

Thus it appears that an effective trust could be formed by consolidating the companies composing group 1, if the control of their capital stock was sufficiently concentrated to render possible negotiations for that purpose.

CONCENTRATION OF CONTROL OF THE PRINCIPAL COMPETITORS.

McCormick.—The McCormick Co. was a corporation organized under the laws of the State of Illinois. Substantially all of its capital stock was owned by the McCormick family, and they controlled the balance.

Deering.—The Deering Co. was a copartnership, the partners being William Deering, Charles Deering, James Deering, and Richard F. Howe. They acted in perfect accord.

Plano.—The Plano Co. was a corporation organized under the laws of the State of Illinois. Substantially all of its capital stock was owned by the "Jones" family and they controlled the balance.

Champion.—The Wardner, Bushnell & Glessner Co. was a corporation organized under the laws of the State of Ohio. Substantially all of its capital stock was owned by John J. Glessner and his father, and the heirs of Wardner and Bushnell, who were dead. The Glessners had complete control of all of it.

Milwaukee.—The Milwaukee Co. was a corporation organized under the laws of the State of Wisconsin. Shortly prior to the organization of the International Harvester Co., Cyrus J. McCormick, the principal stockholder of the McCormick Co., obtained an option on all of the capital stock of the Milwaukee Co., and this option was exercised, and the stock conveyed to the International Harvester Co., as will hereafter appear.

Thus it appears that there were an unusual concentration of the capital stock of these five companies. It was all owned and controlled by four families—the McCormicks, the Deerings, the Jones's, and the Glessners. The pooling of their holding was all that was necessary to create a trust. All these people live at Chicago.

Another fact is interesting. Harold McCormick (one of the heavy stockholders of the McCormick Co.) is a son-in-law of John D. Rockefeller. The McCormick Co. was therefore already distantly related by marriage to the great American family of trusts. J. Pierpont Morgan is the trust architect usually employed by the Rockefellers. He is a good builder and receives fabulous fees for his work. George W. Perkins is his associate.

Therefore if a harvester trust was formed, we should anticipate some of the circumstances of its organization, viz:

(1) It would be designed and executed by J. Pierpont Morgan & Co., probably through George W. Perkins; (2) the amount of the fee charged for such services would indicate the character of the work; (3) it would be organized in such a way that the Rockefeller influence could ultimately secure control.

Bearing in mind the foregoing facts, let us examine the manner of the organization of the International Harvester Co. and its subsequent conduct, and determine if there was a "contract combination in the form of trust or otherwise, or conspiracy" in restraint of interstate trade or commerce.

Remember that the organizers of this company had in mind these conditions. Their purpose can best be ascertained by considering their acts in the light of the circumstances and conditions to which they are related.

II. Organization of the International Harvester Co.

In July, 1902, at the suggestion of George W. Perkins, McCormicks, Deerings, Jones, and Glessners went to New York City and entered into negotiations for the purpose of effecting a combination of the McCormick, Deering, Plano, Champion, and Milwaukee companies. Cyrus J. McCormick, you remember, had secured an option on all of the capital stock of the last-named company. The general terms of a consolidation were agreed upon, except the amount of the capital stock of the consolidated company which each should receive in consideration of the property turned over to it. The parties went home and caused inventories of their plants to be made.

About two weeks later they all returned to New York with the inventories, and the negotiations were renewed. They agreed on everything except the value of the plants. They would not agree on the inventories.

George W. Perkins conducted the negotiations and devised and executed the plan finally agreed upon. He proposed that the consolidation be consummated, leaving the values of the plants to be afterwards fixed by disinterested appraisers, and that all of the property to be turned over to the consolidated company be immediately transferred to a trustee, pending the appraisements. After some future negotiations this suggestion was adopted, the appraisers agreed upon, and all of the other details adjusted.

The general plan was that the five companies be merged in a new corporation to be created for that purpose, the stockholders of the merging companies to be compensated by capital stock of the new corporation to the amount of their respective interests as determined by the appraisements.

For reasons which will hereafter appear it was decided to preserve the corporate existence of one of the constituent companies. The Milwaukee Co. was selected for that purpose. To effect this result the plan involved the conveyance to the consolidated company of the capital stock of the Milwaukee Co., and all of the assets of each of the other companies. It was agreed, however, that the amount of the compensation for the capital stock of the Milwaukee Co. be determined by an appraisement of its assets. All payments were to be made in capital stock of the consolidated company.

The terms agreed upon included the selection of the officers of the new company, the compensation to be paid J. Pierpont Morgan & Co. for their services, and other important details. As the agreement was immediately carried out, repetition can be avoided by merely stating what was done.

On August 21, 1902, the International Harvester Co. was organized under the laws of New Jersey, with a capital of $120,000,000, which was about $15,000,000, in excess of the aggregate of the inventories.

Its purpose, as expressed in its certificate of incorporation, was to manufacture, sell, and deal in harvesting machines, tools, and implements of all kinds, including harvesters, binders, reapers, mowers, headers, and shredders, agricultural machinery, tools, and implements of all kinds, binder twine, and all repair parts and other devices, materials and articles used or intended for use in connection with any kind of harvesting or agricultural machines, tools, or implements, to engage in the manufacture or production of and to deal in any materials or products which may be used in or in connection with manufacture of harvesting or agricultural machines, tools, and implements, and to apply for, obtain, register, lease, or otherwise acquire, and to hold, use, own, operate, sell, assign, or otherwise dispose of, any trade-marks, trade names, patent inventions, improvements, and processes used in connection with or secured under letters patent of the United States or of any other countries or otherwise.

On the same day all the capital stock of the Milwaukee Co. and all of the property of each of the other four constituent companies were conveyed to one William C. Lane, as trustee, and subsequently by him conveyed to the International Harvester Co.; at the same time, all of the capital stock of the International Harvester Co. was issued and delivered to said William C. Lane as trustee.

On the next day, Lane entered into a stockholders' voting trust agreement with Cyrus J. McCormick, James Deering, and George W. Perkins as voting trustees, by terms of which all the capital stock of the International Harvester Co. was transferred to said voting trustees, with authority to exercise its voting powers only; stock trust certificates to be issued by said voting trustees to the various parties entitled thereto; such voting trust to continue for the term of 10 years, with the proviso that it could be terminated at any time after August 1, 1907, by a majority of the trustees, on 90 days' notice.

Cyrus J. McCormick was elected president of the company, James Deering chairman of the board of directors, and each of the constituent companies was represented on the board of managing directors.

The appraisements were soon made. Stock trust certificates were then issued by the voting trustees as follows:

Stockholders of McCormick Co	$51,000,000
Members of Deering Co. copartnership	40,000,000
Stockholders of Plano Co	4,000,000
Stockholders of Champion Co	8,000,000
Cyrus H. McCormick, for Milwaukee stock	2,700,000
J. Pierpont Morgan & Co., for services	5,000,000
	110,700,000

The balance of the capital stock, $9,300,000, was placed on the market and sold, stock trust certificates being issued to the purchasers. Most of it was purchased by John D. Rockefeller.

On August 14, 1902, the International Harvester Co. was doing business, all of the representatives of the former companies having been directed by wire to transfer all transactions to its account. It immediately established large offices at No. 7 Monroe Street, Chicago, where all of the business is transacted, and all of its officers are located, with the exception of one local director in New Jersey, to comply with the law.

On September 5, 1902, the name of the Milwaukee Co. was changed to "International Harvester Co. of America." The amount of its capital stock, $1,000,000, remained unchanged. An agreement was then entered into, and has since been observed, by the terms of which the International Harvester Co. (the trust) sells all of its products to the International Harvester Co. of America, and the latter sells to the trade, at a nominal profit. By this transparent device the International Harvester Co. (the trust) avoids participation in interstate commerce. Moreover, the International Harvester Co. of America (with its small capitalization and very modest profits) is the "foreign" corporation which does business in other States, and is required by the laws of some of them to render statements as to its financial condition, profits, etc., and in some instances pay taxes accordingly. At all times since August 13, 1902, all of the capital stock of the International Harvester Co. of America has been, and still is, owned by the International Harvester Co.

CHARACTER OF COMMERCE AFFECTED.

The necessary and direct effect of this transaction was the restraint of interstate commerce.

Absolutely all property and rights of the merging companies were pooled. Each of these companies was directly engaged in the sale of harvesting machinery, sold direct to the consumer; manufactured in one State, and sold in others. Each was therefore engaged in interstate commerce in the strictest sense of the term. Each had transfer warehouses, branch and local warehouses, and other instrumentalities, these being exclusively used to transact interstate commerce. The consolidation took place in the midst of the harvest season. Each company had prospective sales and was interested in commercial negotiations of an interstate character, pending at the several steps approaching actual consummation. Each company owned implements which were then actually in interstate transit, some in fulfillment of interstate contracts of sale, others in anticipation and for the purpose of interstate sales. Each had developed and then owned an existing interstate trade.

The property conveyed to the International Harvester Co. by its organizers included all of those instrumentalities of interstate commerce, these pending negotiations, in

short their very interest in the interstate traffic in which they are engaged, together with the means of continuing the same. The commerce, as well as the factories of the merging companies, was affected by the consolidation; the merger of both in the International Harvester Co. was the direct purpose and effect of the transaction. Commercial and industrial competition were alike restricted.

Moreover, the constituent companies bought vast quanties of raw material, consisting of iron, coal, steel, lumber, etc., Nearly all of it was purchased in other States and shipped to the factories. The consolidation terminated their competition as purchasers of raw material, as well as sellers of machinery. I understand that a combination between purchasers in restraint of trade is prohibited the same as a combination between sellers.

EFFECT OF THE CONSOLIDATION UPON THE COMMERCIAL STATUS OF ITS ORGANIZERS.

One of the most serious effects of the transaction is that each of the merging companies permanently disqualified itself from further participation in the business in which it had been engaged. The business of each was not the manufacture of harvesters generally, but the manufacture of a specific type of harvester, the essential device of which was protected by patent rights owned by it. All of these patent rights were transferred to the International Harvester Co., and thereby the parties bound themselves not to reengage in the business more effectually than could have been done by express contract. They could violate a contract not to compete, but they could not reacquire the patent rights without the consent of the International Harvester Co. Each type was already a legal monopoly, and there was created a monopoly of these monopolies. Future competition between these five types is completely barred until the expiration of the patent rights.

Formerly the patent laws prevented competition in the manufacture of each type; but there was competition between these types. By virtue of the consolidation not only has a monopoly been created, but the former competitors have been permanently disqualified. This I understand to be a restriction of trade; and the manner of its accomplishment is immaterial.

PREVIOUS EFFORT TO FORM A HARVESTER TRUST.

In 1901 an effort was made by the same people to form a harvester trust. The method attempted was the same. The negotiations were nearly successful. All of the terms of the merger were agreed upon; the holding company was actually organized; its name was the "American Harvester Co."; final consummation of the plan was prevented only by the family pride of the older Mrs. McCormick. Simply to preserve the identity of the name "McCormick" with the enterprize found by her ancestors, she repudiated the transaction at the last moment, and induced members of the family to imitate her example. The moment it became impossible to include the McCormick Co. in the proposed trust, the entire project was abandoned and competition became more active than ever. There was no reason for a change on the part of the other promoters of the American Harvester Co unless their purpose was to form a trust or monopoly, which could not be accomplished without the participation of the McCormick Co.

This unsuccessful attempt bears unmistakable testimony of the intent which actuated these parties when they successfully renewed the effort in 1902.

GENERAL FEATURES OF THE CONSOLIDATION.

I desire to point out a few of the material features of this transaction.

(1) None of the organizers of the company desired to retire from the harvester machinery business. Their purpose was to consolidate their plants and exchange their former holdings for a proportionate interest in the consolidated company. Retirement from business not being their object, their motive must have been the creation of new, mutual, commercial advantages.

(2) The company was not first organized, and negotiations afterwards had for the acquisition of these five plants; on the contrary, an agreement was first reached as to the terms of consolidating these properties, and the company was organized as one of the means necessary to carry the agreement into effect.

(3) The company did not acquire the property of these five companies by independent transaction without concert of action between the stockholders of the companies absorbed. On the contrary, there was a perfect concert of action. It was the understanding of the parties that all of them should convey their plants or none of them. The principal conditions for the transfers was that all should participate.

The transaction was not where an existing company actively engaged in business extends its business by the acquisition of additional factories.

(4) The company had no business whatever except what was transferred to it by the five merging companies. It had no patent rights which should enable it to engage in business except such as it acquired from the merging companies.

(5) It was the practicable way in which a trust or combination could be formed. All of the features of the transaction are consistent with a purpose to form a monopoly and are not consistent with any other business reason. Everything necessary to form a monopoly was done and nothing more. A monopoly is the only specific result of the transaction. It must have been its purpose. If these parties had intended to form a monopoly, could they have done so more effectively?

(6) The price paid J. Pierpont Morgan & Co. indicates the nature of the transaction. Five million dollars is a very high price for the simple service of suggesting to people how they can agree in a legitimate transaction. It is not usual in illegal transaction, such as creating a trust, which can evade the laws. Doubtless if proceedings are instituted against the International Harvester Co. the manner of its defense will demonstrate that the fee was earned.

(7) Another feature is interesting, if not important. The Rockefellers and McCormicks own a majority of the capital stock; Cyrus J. McCormick and George W. Perkins can so terminate the voting trust agreement, whereupon the Rockefeller-McCormick control can be exercised. This is not pure accident. The circumstances of the entire transaction clearly indicate secret negotiations between the McCormicks and J. Pierpont Morgan & Co. prior to the general negotiations. Some one inspired the acquisition of the option of the Milwaukee stock. Added to the McCormick property control of the consolidated company was made easy.

THE KNIGHT CASE.

The most serious obstacle to the enforcement of the antitrust law in cases of this kind, in the form of judicial precedent, is the Knight case. It is not my purpose to discuss legal questions in this report. However, I desire to point out some of the distinctions between the Harvester Trust and the Knight case.

In my preceding statement I have endeavored to emphasize the distinguishing facts.

The American Sugar Refining Co. owned and operated considerably more than half of the sugar refineries in the United States. In March, 1892, it purchased all of the capital stock of each of four competitors, which gave it a virtual monopoly.

The facts which controlled the court's decision were these:

(1) There was no concert of action between the stockholders of the four companies in these transactions; each was an independent sale; the stockholders of each company were ignorant of the sales by the stockholders of the companies. Hence there was no "contract, combination or conspiracy" between them.

(2) The evidence did not show that the transaction had any direct effect upon commerce; in fact the evidence was silent as to whether any of the parties had ever engaged in interstate commerce or whether such commerce was affected by the transaction; the evidence, as construed by the court, showed a monopoly of manufacture but not of commerce.

(3) None of the parties disqualified themselves from reengaging in the business of sugar refining.

In the case of the Harvester Trust, the facts are directly opposite.

(1) There was a concert of action between the stockholders of the five companies absorbed, as I have already shown.

(2) The evidence does show that interstate commerce is directly affected. The only thing that can be said is that both commerce and manufacture were affected. Can this make any difference? If commerce had been monopoly by one transaction and manufacture by another, would there be any doubt about the illegality of the transaction monopolizing commerce? Is it possible that a monopoly of commerce can be sustained if it be accomplished by a transaction which at the same time monopolizes manufacture? Has the monopoly of manufacture any effect upon a monopoly of commerce other than to strengthen it, and it more dangerous?

(3) The organizers of the Harvester Trust did disqualify themselves from reengaging in business by virtue of the patent laws, as I have already discussed.

The foregoing are not the only distinguishing features. However, I shall not pursue the subject unless requested. In my judgment the distinction is too clear to justify argument.

III. The Conduct of the International Harvester Co.

There is no better method of ascertaining the purpose of the organization of this company, than by investigating the use which was made of it. It is certain that its organizers intended it for the very purpose for which it was used, because they have at all times remained in control of the affairs of the company.

I find that it has maintained a persistent campaign to destroy competition, not in harvesting implements, but other farming implements as well, and that its obvious purpose is to monopolize the trade in "everything that the farmer buys."

To accomplish its designs it has employed methods, the object of which can not be misunderstood. Its general plan has been to purchase or destroy competition. In some cases it purchased and destroyed. It took no chances.

It is impossible to detail all of its methods. A few of the most conspicuous, will serve the purpose. These I will present under the following headings: (1) Purchase of competing plants; (2) Abandonment of plants acquired; (3) Campaign against plants not acquired; (4) Creation of binding twine monopoly; (5) Efforts to monopolize trade in other implements; (6) Manipulation of prices.

PURCHASE OF COMPETING PLANTS

In January, 1903, the International Harvester Co. purchased the entire capital stock of the D. M. Osborne & Co., for the sum of $4,000,000.

Later in the year 1903, it purchased all of the capital stock of the Aultman, Miller & Co., for the sum of $700,000.

Later in the year 1903, it purchased all of the capital stock of the Minneapolis Harvester Co., for the sum of $700,000.

In March, 1903, there was organized the Keystone Co., under the laws of the State of Illinois, its object to be the manufacture and to sell binding twine and harvesting machines; later in that year the International Co. bought nearly all of its capital stock for the sum of $460,000.

The manner of these purchases and the use of the property shows the purpose of the International Harvester Co. Each of the purchases were made secretly in the name of some of its directors and stockholders, who hold the stock in trust for it. The Osborne Co. and the Keystone Co. were both operated for sometime ostensibly as independent, competing plants; the International Harvester Co. concealed its ownership. Why? Was it not because they were conscious that disclosure would give added testimony of their character and trust methods?

Again, the Aultman, Miller & Co. and the Minneapolis Co. were both abandoned immediately after purchase and the plants dismantled. The purchase of these plants could have been for no other purpose than to destroy competition; $1,400,000 was expended to acquire plants which they did not intend to use, but simply to destroy.

Bear in mind that in all of these instances all patent rights were acquired and are still retained by the International Harvester Co.

ABANDONMENT OF PLANTS ACQUIRED.

The International Harvester Co. was organized on August 12, 1902. At that time it acquired five harvester factories, all fully equipped and actively engaged in business. Harvesting machinery shops are operated during only part of a year, commencing about November 1 and continuing until about August 1, of the following year. So that the period of production for the year 1902 had just about closed about the time the International Harvester Co. acquired its original five plants. All of these five plants were operated during the next year for the trade of 1903. Then three of these types were totally abandoned, and only two of them, the McCormick and Deering, have since been manufactured. The Milwaukee, Plano, and Champion have passed out of existence.

Competent and disinterested experts, both mechanics and farmers, inform me that the Milwaukee type excelled the other four. Yet the Milwaukee plant has been converted into a cream separator and gasoline engine factory.

The motive for this is clear. The reduction of the number of types produced would reduce expenses. The item of extra parts alone is enormous. All harvester companies are required to manufacture and keep in stock a large quantity of extra parts to replace breakages. These parts are not interchangeable on the different types. Therefore the amount of money invested in extra parts would depend on the number of types manufactured.

There was a financial reason for maintaining the Deering and McCormick types and abandoning the others. At the time of the organization of the International Harvester

Co. the McCormick and Deering Co. had in stock about $2,000,000 of extra parts. Nearly all of this would have been lost had they abandoned the Deering and McCormick types for the better type—the Milwaukee. So that the law of natural selection did not control their choice. The "fittest" did not survive.

There is no logical financial reason for their retention of two types. The actual reason is the jealous pride of the Deering and McCormick families. They could not agree which name should survive.

Of the four plants acquired by the International Harvester Co. two (the Minneapolis and the Buckeye) were immediately abandoned; they were acquired for that purpose. The other two are the Keystone and the Osborne. The Keystone is made only in very small quantities, and there is no doubt that it will soon be abandoned. The Osborne is still made and probably will be continued. The Osborne plant is located at Auburn, N. Y. By reason of transportation charges the eastern trade can be more profitably supplied from that plant than from the western factories.

Observe the injurious effects upon the trade.

Nine former competitors have been merged into the International Harvester Co. All patent rights used by them have likewise been merged. Competition between these types have been permanently destroyed.

In the meantime, for the sole purpose of increasing its profits, the International Harvester Co. has totally discontinued the making of five of them, and practically six of them. So that in the place of nine competitors manufacturing and selling nine competitive types we have one manufacturer making three of them and the other six abandoned. No one can renew the competition by manufacturing any of the abandoned types, because the International Harvester Co. retains the patent rights. It has not abandoned those.

The former competition of these nine plants was not limited to the subject of prices. Each maintained a staff of inventors, constantly striving to produce the most excellent machine. The trade derived its greatest benefit from this competition of inventive genius. The present excellence of harvesting machinery is directly attributable to the inventive competition which existed prior to the organization of the International Harvester Co. Former trade conditions incited it to the highest degree of activity. This condition has been utterly destroyed. These nine types no longer strive to excel. Nine competing staffs of inventors have been merged into one. Genius has been stifled. The inventors staff of the International Harvester Co. has no incentive to improve the machine, so long as the monopoly is maintained. In the absence of competition the adoption of a new ingenious device would be delayed until the extra parts which would be rendered useless have been disposed of. Their natural inclination is to devote their efforts to the accomplishment of cheaper means of production rather than improvement of product.

Another serious injury to the trade: When these types were abandoned, the manufacture of extra parts for them also ceased. Naturally, the stock on hand of some parts soon became exhausted; so that if the owner of one of the abandoned types incurred a breakage of some part which could not be replaced, his only relief was to buy a new harvester—from the International Harvester Co.

CAMPAIGN AGAINST PLANTS NOT ACQUIRED.

There is not much to be said on this subject. The fact is that there is but little competition left to destroy. The International Harvester Co. has little opportunity to display its powers. Its campaign is nearly ended. But four independent competitors remain—the Acme Co., the Walter A. Wood Co., the Johnson Co., and the Adriance-Platt Co. The two former are located in the West, the Acme Co. at Peoria, Ill., and the Walter A. Wood Co. at St. Paul, Minn. The Walter A. Wood Co. has been twice bankrupt in the past few years and offers no serious competition. The Acme Co. maintained a hard struggle against tremendous odds, and is the only serious opposition the International Harvester Co. has had recently in the West. The Johnson Co. and the Adriance-Platt Co. are both located in New York State. They have done practically no business in the West in recent years. I know nothing of the methods employed against them in the East.

The most common, and at the same time most effective, method of the International is to circulate "confidential" rumors that its competitors have been absorbed by the "trust" and will soon be abandoned. To illustrate: One of its traveling representatives will go to a local dealer and say about as follows: "I see you are handling the Acme. Let me give you a quiet tip; our people own the Acme, and have for some time. It will be only a short time before that type will be abandoned. Then you will have to start in and work up your trade in some other machine; or, worse yet, your trade will be absolutely lost; your customers will be unable to buy extras, and

the machines will be a loss to them; it makes no difference to us; we get your money anyway, whether you buy McCormicks, Deerings, or Acmes; but, as a friend, I don't like to see you get the worst of it. Of course, I have no right to tell you this, and you must regard it as strictly confidential." To emphasize the point, attention will be called to the fact that the trust has acquired so many competitors and operated them for a time secretly and afterwards abandoned them, with the result that purchasers of those machines are unable to procure extras and are compelled to buy new machines, and the Milwaukee, Plano, Champion, Buckeye, and Minneapolis machines present very persuasive illustrations. Such an argument is very effective. The fact is that the entire implement trade is afraid of the International. It is inclined to believe any rumor which indicates that its monopoly has been extended. Other representatives of the International will see the same men and repeat the rumor in the same confidential way.

These tactics were used extensively throughout Kansas during the past year, with great effect. The International entered upon a campaign to drive the Acme people out of the Kansas trade, because there its business was greatest. Many instances of this kind can be proven.

I fear that the International has succeeded in its campaign against the Acme Co. I am positive the Acme Co. was independent when I was in Chicago; however, during the past 30 days changes have occured which convince me that the Acme Co. has succumbed to the attack made upon it, and that it is now owned by the International. I have no direct evidence of this, and do not state it as a fact. But I am sure that it has occurred, or soon will occur, if the power of the International Co. remains unchallenged. If the International has acquired the Acme, its campaign in the West on harvesting machinery is over. It absolutely controls the trade.

After all, the most effective weapons employed by the Harvester Trust are of the invisible kind. It is directly allied with that group of Standard Oil financial and commercial aggregations commonly called the Steel Trust, the Coal Trust, the Railroad Trusts, the Banking Trust, etc. The advantages conferred by these subtle influences can hardly be detected; they certainly can not be overcome. Rebates, prices of raw material, the extension or refusal of banking credit, can all be manipulated with a discriminating favor, which is murderous to the competitors of the International Harvester Co.

Those familiar with the trade are positive that there is a discrimination in the price of steel in favor of the International Harvester Co. But I ascertained no method of proving it.

That the International Harvester Co. secures rebates from railroad companies, I am assured. And I believe the evidence can be procured to prove it. The method of rebating on shipments east of Chicago differs from the method on western shipments.

On eastern shipments, $6 per car is rebated on the basis of 1,000 cars. Payment is made through the legal departments to some individual, ostensibly for "legal services." I am assured that the New York Central & Hudson River Railroad Co. has been guilty of this practice.

On western shipments rebates are secured by another method. Before the organization of the International Harvester Co. the McCormick, Deering, and Plano Cos. each owned short terminal railways connecting their factories with the railroad yards. These railways were included in the property transferred to the International Harvester Co. Formerly an exorbitant switching charge of $12 per car was billed against shipments, and was collected by the railroad companies as "advance charges" and refunded to these switching railway companies, all of the capital stock of which was and still is owned by the International Harvester Co. This practice was continued until July or August of this year (1906), when A. B. Stickney, president of the Chicago & Great Western Railway Co., refused to further participate. The other western railroad companies followed suit. The switching charge was then reduced to $5 per car, which is ample compensation. F. B. Montgomery, head of the traffic department of the International Harvester Co., then devised a new plan.

At several points in the West the International Harvester Co. has large warehouses, to which implements are shipped during the winter and spring, to be stored for retail distribution. These warehouses are a convenience. They facilitate and cheapen the expense of distribution. They were built for that purpose. They enable the International Harvester Co. to avoid storage at Chicago, which would be more expensive. They also avoid the congestion of traffic which would result if the machines were stored at Chicago and shipped from there during the implement season. It can readily be seen that this system reduces expenses.

However, as soon as the former system of rebating under the guise of "switching charges" was abolished, Mr. Montgomery inaugurated the following system:

The railroad companies bill against shipments of harvesting machinery the following charges: (1) local tariff from Chicago to the intermediate warehouse, (2) local tariff from the intermediate warehouse to point of destination, (3) $5 per car for "transfer" charges—referring to the unloading and loading at the intermediate warehouse. The railroad companies collect this aggregate amount from the consignee. They then deduct the through tariff from Chicago to point of destination (which is all they really charge) and the $5 "transfer" charge, and the difference between the through tariff and the combined local tariffs is refunded to the International Harvester Co. This system yields an immense revenue. The railroad companies are satisfied with the through tariff, because this system avoids congestion of traffic, as above stated. By billing local tariffs against the shipments, they simply lend themselves to promote a system of rebating. Local dealers are ignorant of this system. The transfer charge was never thought of until the old method of rebating was prohibited by the railroad companies. As a matter of fact, it would be impossible for the International Co. to ship machinery during the implement season fast enough to supply the demand. Previous shipment and intermediate storage is a commercial necessity and not an inconvenience, for which a charge should be imposed.

CREATION OF BINDING-TWINE MONOPOLY.

After the International Co. purchased the Osborne Co., it, together with the Plymouth Cordage Co., manufactured 80 per cent of all of the binder twine made in the United States. It was therefore in the power of these two companies to make a combination which would control the trade. In the spring of 1905 such an agreement was entered into. This agreement terminates competition between these companies, regulates the price in each State, the production and distribution, and in all respects subjects the binder-twine trade to all of the arbitrary regulations of a trust or monopoly, and the trade has since been controlled by these influences. A few smaller dealers make and sell twine at one-half cent per pound less than "International price," and are reaping immense profits from the business. The International Co. is able to maintain its monopoly, however, because backed by the gigantic trusts and combinations with which it is allied, it has established and maintains practically a monopoly of the importation of the fiber, which is essential for its manufacture, and the production of which is limited.

The Twine Trust or Monopoly has not only affected the price, but also the quality. The experiments of the best experts on the subject, including those who formerly conducted the business for the McCormick and Deering Cos., demonstrated that the greatest tensile strength in twine could be attained by 14 twists to the foot with 14 per cent of oil. Prior to the merger, when there was keen and active competition in the twine trade and competitors honestly endeavored to produce the best quality of twine, this was the method employed by the McCormick Co., and I believe the others used substantially the same process.

Now the oil used for this purpose is the cheapest form of petroleum product. Its cost is about seven-eighths cent per pound. The cost of fiber is about 7½ cents per pound. Therefore any process or method of making twine which increases the amount of oil used will increase the profits in proportion. At the same time it will decrease the quality of the twine.

Now, fiber will carry only a limited quantity of oil. However, some fibers will carry more than others. Sisal fiber will carry less than most others. New Zealand fiber will carry more; it will carry about 25 per cent; at the same time it costs 2 or 3 cents less per pound, and is of inferior quality.

Note the conduct of the Twine Trust; the standard twine made by the International Co. to-day contains about 8 to 10 per cent of New Zealand fiber and 18 per cent of oil. Thus the Twine Trust has sacrificed the quality of its product for the sole purpose of increasing its earnings. The best of twine is none too good. Even with the best, breakages and snarling produce too frequent delays. That the present product is of a much inferior quality and adds to the difficulties of economical and successful agriculture every farmer in the West will bear testimony.

EFFORTS TO MONOPOLIZE TRADE IN OTHER IMPLEMENTS.

Notwithstanding the natural classification of the implement business, as described above, shortly after the organization of the International Harvester Co. it began to manufacture other implements. It gradually extended its operations until now it is engaged in making cultivators, harrows, manure spreaders, wagons, cream separators, gasoline engines, and various other implements in addition to harvesting machinery.

Thus, the factory of the Milwaukee Co. has been turned into a factory for the manufacture of cream separators and gasoline engines.

It is promoting the sale of these new implements by the method which I pointed out. Constantly and guardedly it is "persuading" local dealers to handle all of their products exclusively. Of course, this is a gradual process, but it is a sure one. When I say "persuade," I speak correctly; they never actually coerce; they are too intelligent for that. In the first place, such a method would be damaging as evidence, and in the second place it would fail. Persuasion in such matters is much more effective than coercion; it succeeds better and the man persuaded is a more useful servant than the one coerced. But even so, it would surprise you to know the amount of genuine hatred for the International Co. entertained by its own employees, agents, and officers. This feeling even pervades the headquarters of the company. And the Government will not lack for witnesses who will disclose the actual facts, should it institute proceedings requiring evidence. The heartlessness of its methods is the cause of this feeling. Most men shrink from the task of destroying and crushing those with whom they have formerly come in contact, even though it be as active and successful competitor. Pledges of secrecy, which I can not violate, restrain me from citing individual cases, although if the Government concludes to institute proceedings, I am at liberty to "suggest" names of witnesses. I can state, generally, however, that in the event of legal proceedings by the Government, the International Harvester Co. will be protected by only a few of its own employees and officers outside of those who participate in the dividends, and there is considerable defection even among those.

Of course, they have not succeeded in driving the makers of other implements out of business, but they have very seriously crippled them. Even as staunch and well established an institution as the Studebaker Wagon Co. is seriously affected by this condition. The Winona Wagon Co., of Minnesota, and many other independent manufacturers of farming implements (other than harvesting machinery) report the same experience. These independent dealers find their business difficult to maintain during a period of exceptional industrial prosperity. Numerous instances of the influencing of the trade in the manner I have indicated can be proven.

Before commercial conditions were corrupted by combination of trust influences the trade in agricultural implements naturally classified itself as I have before stated. This must have been the natural consequences of the normal laws of industrial economy, because the men who afterwards conducted the affairs of the International Harvester Co. were engaged in the implement business before its organization. It can not be that their commercial vision was materially enlarged by the organization of that company. Prior to its organization there was an active competition in all classes of farm machinery. The men engaged in that competition are still numbered among the "captains of industry." They certainly employed every means of extending their business which was practicable under the prevailing commercial and industrial conditions. We find that these same men organized the International Harvester Co., and immediately directed the conduct of its business by methods radically differing from those pursued before, when they were pressed by competition. It is not certain that the organization of the International Harvester Co. rendered "practicable" what was not practicable before and that one of the objects of its organization was to create this practicability.

MANIPULATION OF PRICES.

There is no more convincing evidence of the effect and purpose of the organization of the International Harvester Co. than the change which it wrought in prices.

For the sake of brevity, I will illustrate, by reference to the price of one article—a 7-foot binder, in North Dakota. The prices of all harvesting implements have been similarly affected.

Prior to the organization of the International Harvester Co. prices were determined strictly by competition. Each manufacturer had an established "list" price, which in the case of 7-foot binders was $130. List prices were then used as the maximum. They were never exacted on cash sales. Great liberality was exercised in the matter of terms. Agents had authority to sell to farmers "on time" with no security other than the machine sold. This was the result of the keen competition which prevailed. Large collection expenses and frequent losses were incurred. To meet these the "list" prices were high. But list prices were exacted only when very doubtful credit was extended.

I have found several farmers in this vicinity who formerly purchased machines at prices ranging from $75 to $95. Moreover, to promote business, there was great liberality in the matter of expert services and extra parts. In case of any trouble in the operation of the machine experts were sent to remedy the difficulty without charge. Generally speaking, no charge was made for "extras" to supply broken parts during

the first year of the use of a machine, and many free parts were furnished in after years, and in many instances contracts were made to supply these parts at a substantial discount, from 20 to 35 per cent.

The trust was formed too late (Aug. 12) to affect the prices of 1902. No substantial change was made that year. But the next year a radical change took place. List prices which before had been used as the maximum became the minimum, and since that time those prices have been rigidly maintained without exception. Not a machine can be purchased to-day for less than list price. Moreover, in the matter of expert services and extras there has been a marked change of policy. Neither are furnished free unless necessitated by some defect in the machine, when failure to do so would subject the company to a greater liability. All of these changes tend to but one object, viz, increased profits. The actual increase in the price of 7-foot binders will average about $25 per machine. The added cost for expert services and extra parts is difficult to compute, but is substantial.

The International Co. actually fixes an invariable price at which the machines shall be sold by local dealers. It does not do this by express contract or direction, because that would expose it to legal proceedings; but it "recommends" the prices at which machines shall be sold in each locality, and this recommendation is well understood by every local dealer and is equally as effective as a command. Letters containing these recommendations can be procured to be used as evidence.

This change in prices can not be justified on the ground that former prices could not be profitably maintained. Even during the period of the keenest competition immense profits were made in the business. The history of the McCormick Co. illustrates this. In 1879 this company was organized with assets of $2,500,000. Part of its profits was distributed among the stockholders as dividends and a large part was kept undivided and used to extend its facilities. From 1879 to 1902 there was distributed among the stockholders as dividends the sum of $11,875,000. During the same period its assets increased from $2,500,000 to $51,000,000, and this increase represents undivided profits. It invested $6,000,000 of its undivided profits in a twine plant alone.

The history of the Deering Co. is substantially the same. Nor can it be charged that the increase of prices is necessitated by increased cost of production. The saving in the expense of maintaining general and local agents, experts, general office expenses, etc., is greatly in excess of any increase in the cost of production. To illustrate: Formerly each of the nine companies now composing the "trust" maintained at both Fargo and Grand Forks, in this State, a general office in charge of a general agent, with clerks, experts, salesmen, and collectors; these have been replaced by one office, with a force not much larger than was maintained by each of the companies during the period of competition.

The cost of manufacturing a 7-foot binder is variously estimated; by some as low as $51, by none higher than $65. This covers all expense down to the time of shipment. Below is a comparative table of the present cost of production and selling price of several implements which I obtained from a competent source. A 6-foot binder is referred to.

Implements.	Cost of production.	Retail price.
Binder	$57	$125
Mower	20	42
Corn harvester	55	120
Corn shredder	85	235

By no method of reasoning can the retail prices maintained by the International Harvester Co. be justified by the cost of production.

The International Harvester Co. sells to the foreign trade at a cheaper price than to the domestic trade. It sells machines of all kinds for export, delivered at New York, at the same price for which they are sold to domestic purchasers f. o. b. Chicago. This makes a difference of from $6 to $10 per machine.

I was surprised to learn while investigating this subject that the "Steel Trust" refunds to harvester companies $3 per ton for all steel used in the manufacture of machinery exported, thus giving the same result as if the steel had been imported, the import duty paid, and afterwards refunded under the drawback law, indicating that steel can be profitably produced in this country and sold at the foreign price. This justifies a small difference between the domestic and foreign prices, but it would

amount to only a few cents for each machine and in no way explains the difference indicated above.

In several instances I have referred to the payment of transportation charges by local agents. This appears inconsistent with the fact that local agents transact business on commission. A word of explanation is necessary. Out of the proceeds of each sale of a 7-foot binder the International Co. receives $98 net. The local agent retains the balance as his commission, but out of this commission must be paid transportation and other charges.

CONCLUSION.

I have limited myself to trade conditions in the United States. The facts concerning the Canadian trade are the same. Shortly after the organization of the Intrenational Harvester Co. it caused to be organized the "International Harvester Co. of Canada (Ltd.)." All of the capital stock of the latter is owned by the former. The Canadian company is simply used as a commercial instrumentality of the Harvester Trust.

In addition to the foregoing facts I have learned of many alleged and dishonest acts of the International Harvester Co., such as legislature bribing, tax dodging, etc.—some based on apparently authentic information, some on rumor. I made no effort to substantiate them, nor have I detailed them in this report. I have confined myself to those facts which, in my jedgment, will enable you to determine whether there has been a violation of the antitrust act of 1890.

I will not encumber this report by detailing the methods of proving the facts I have reported. I assume that at this time you desire simply to consider the legal effect of the transaction. I learned the manner of proving every fact contained in this report, except the contract between the International Harvester Co. and the Plymouth Cordage Co. I delayed this report a few days, expecting that information, but have been disappointed. I believe, however, that I know how this evidence can be procured.

In my judgment, the facts concerning the organization of the International Harvester Co. constitute a violation of the antitrust act of 1890.

My consideration of this subject has suggested to me some new legislation which, in my judgment, would materially facilitate the enforcement of the law. If you desire, I would be glad to communicate to you these views. I have not presumed to do so without your request.

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No. 13

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

THURSDAY AND FRIDAY, JULY 27 AND 28, 1911

WASHINGTON
1911

UNITED STATES OF AMERICA
GOVERNMENT PRINTING OFFICE

UNITED STATES STEEL CORPORATION.

SPECIAL COMMITTEE ON THE INVESTIGATION
OF THE UNITED STATES STEEL CORPORATION,
New York, Thursday, July 27, 1911.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

There were also present: Messrs. Bartlett, Littleton, Beall, Young, McGillicuddy, Sterling, Danforth, and Gardner.

Mr. LITTLETON. I desire to make a motion.

In order that we may get ourselves preliminarily organized here and our place of sitting changed from Washington to New York, and in order that we may have the documents and records which are necessary for the committee to have to do its work, and because it will take some little time to do that and to discuss and arrange our program here, I move that the committee go into executive session for the consideration of their plans, there being no persons present waiting upon our pleasure.

Mr. DANFORTH. I second the motion.

The motion was agreed to.

The CHAIRMAN. There will be no examination of witnesses this morning, and I doubt if we will be able to examine any witness today, and those who are not members of the committee or officers of the committee will please retire.

The committee will resume its sitting at this place in the morning, Friday, July 28, 1911, at 10.30 o'clock.

(Whereupon the committee proceeded to the consideration of executive business, after which it adjourned.)

SPECIAL COMMITTEE ON THE INVESTIGATION,
OF THE UNITED STATES STEEL CORPORATION,
New York, Friday, July 28, 1911.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

There were also present: Messrs. Bartlett, Littleton, Beall, Young, Sterling, McGillicuddy, Danforth, and Gardner.

The CHAIRMAN. The committee will resume its session. Mr. Hanna will you please take the stand.

STATEMENT OF L. C. HANNA.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Will you kindly give your full name and address to the reporter?

Mr. HANNA. I think he has it; Leonard C. Hanna; Cleveland, Ohio, is my home. My summer address is Beverly Farms, Mass.

The CHAIRMAN. You have been engaged, I believe, for many years in the iron and steel business?

Mr. HANNA. More particularly, Mr. Chairman, in the raw materials of iron and coal and the transportation of pig iron. Of late years I have been identified with several different steel interests.

The CHAIRMAN. It will be the purpose of the chairman of this committee to ascertain from you in the course of this examination something of the value of the ores, coal deposits, and other raw materials held by the Tennessee Coal & Iron Co. at the time you were interested in it, and for that reason you will have to testify both as a witness to specific facts and as an expert as to values. For that reason I will ask you to state fully to the committee what experience you have had in the purchase, control, and development of raw material prior to the time that you became interested in the Tennessee Coal & Iron Co.?

Mr. HANNA. Well, I have been identified with the iron-ore interests of Lake Superior and coal in Ohio and Pennsylvania since 1875, and also with the pig-iron business in Pennsylvania and Ohio furnaces, and in New York State.

The CHAIRMAN. What companies have you been identified with?

Mr. HANNA. The firm of M. A. Hanna & Co. is the active interest I have been identified with all my life.

The CHAIRMAN. Have you had much to do with the development of coal properties and ore properties?

Mr. HANNA. Yes, sir; we were constantly developing coal properties and ore properties and operating them.

The CHAIRMAN. For the last 25 years?

Mr. HANNA. For the last 35 years.

The CHAIRMAN. You were a member of the syndicate which took over a large portion of the stock of the Tennessee Coal & Iron Co., I believe?

Mr. HANNA. I was.

The CHAIRMAN. At what time was that syndicate formed?

Mr. HANNA. The property was purchased, as I recall it, in November, or the latter part of October, 1905. The syndicate agreement was, I think, drawn in November, 1905, or it may have been January or February, 1906. I have not refreshed my memory upon those dates, Mr. Chairman, but the control of that property was purchased in the fall of 1905.

The CHAIRMAN. What amount of stock did you have yourself in this concern, Mr. Hanna?

Mr. HANNA. In the original purchase of syndicate stock, as I recall it, in round numbers, about 10,000 shares.

The CHAIRMAN. What induced you to purchase this stock; what was your idea of the character and value of that property at the time you took this block of stock?

Mr. HANNA. Well, it was a well-known fact that the Tennessee Co. was the owner of a very large amount of mineral, both iron, coal, flux, stone, limestone, and dolomite, and of late years, especially during the past 10 or 12 years, the value, especially of iron ore in the ground, has enhanced very materially.

The CHAIRMAN. Right at that point, you speak of the iron ore in the last 10 years advancing materially; to what do you attribute that rapid advance of iron ore?

Mr. HANNA. Well, I think the very large increased consumption of iron and steel in our country, together with the growing iron export trade, and the fact, too, that the amount of iron-ore deposits in this country has been pretty well defined, at least, within the reach of the markets of the country. Prior to that time I do not think that the condition of the iron and steel business had been such that the developments, or the possible developments, of iron ore were known. That, together with the very rapid increased consumption beginning the latter part of 1898 and 1899, and continuing on up to this time, and the ratio of growth, was much more than ever before in the history of the steel industry.

The CHAIRMAN. I think the consumption of steel has doubled every decade for several decades?

Mr. HANNA. Approximately so; yes, sir.

The CHAIRMAN. Is it true that during the last 10 years workable ores have been taken up by concerns engaged in the manufacture of iron, and that there is little or no ore now in the hands of persons who sell the ore or sell the land containing the ore?

Mr. HANNA. Well, going back to 1898, the absorption of the Lake Superior ore land began by the steel interests, and has been going on from that time to this. It is not a fact, however, that there is not a very considerable amount of ore in the hands of so-called merchant-mine owners. I am not so familiar with the conditions in other districts than the Lake Superior district as regards what I would call the merchant mines, mines that produce ores to sell.

The CHAIRMAN. What per cent of the Superior ores are now to be found in what is called merchant mines?

Mr. HANNA. I did not quite catch that question.

The CHAIRMAN. What per cent of the Superior ores are now in the hands of what are called merchant mines?

Mr. HANNA. I can not answer that question with any degree of exactness, Mr. Chairman, the minor part of the total tonnage. I think various steel interests of our country own a very considerable majority of the Lake Superior ore to-day.

The CHAIRMAN. You speak of the lease of iron ore by the United States Steel Corporation in the Superior region. From whom and by whom were those ores leased?

Mr. HANNA. By a great many different companies. I can not answer from memory, neither have I knowledge of the parties leasing those ores to the corporation.

The CHAIRMAN. Take, for instance, the Hill lease; what effect had that, the lease of, say, the Hill holdings, with the proposition to take 100,000,000 tons the first year and so much each succeeding year? Are you familiar with the terms of that lease?

Mr. HANNA. In a general way I am familiar with it, as given out by the corporation itself. It is not a secret.

The CHAIRMAN. The corporation makes no secret of it, but I want to get it in the record.

Mr. HANNA. I can not speak with exactness, Mr. Chairman. The lease, as I recall it, during the first year called for a production of 750,000 tons, and it increases each year until the total reaches about 8,000,000 tons. It may be some hundred or two hundred thousand over that.

The CHAIRMAN. What effect did this deal, by which these Superior ores, the Hill holdings, were leased to the United States Steel Corporation, have upon the value of ores, the selling price of ores?

Mr. HANNA. Well, it had a very decided effect in raising the value of ores in the ground, and as a matter of course, as the royalty per ton of ore in the ground increased the selling price increased with it. The selling price of ore varies with market conditions, the same as any other commodity.

The CHAIRMAN. What has been the increase in the value of ores since between 1902, say, and 1910?

Mr. HANNA. Well, I can not recall.

The CHAIRMAN. The last 10 years?

Mr. HANNA. I can not recall what the price was in 1902. The price of ore, as I recall, in 1902, was higher than in 1910, although in 1910 the price of ore was considered high, as the conditions of the iron and steel industry at the time the contracts for 1910 were made were very good.

The CHAIRMAN. Speaking roundly, what has been the increase in the price of ore in the last 10 years?

Mr. HANNA. If you go back—it depends what particular year you compare the price with. If you go back from 1893 to 1898 or 1899 the price of ore to-day is from 60 to 80 per cent higher, but ore was abnormally cheap in those years, labor was cheap, transportation was cheap, consumption was small, and production was in excess of the demand. The business was very much demoralized for a period from 1893 to 1898 or 1899. It is difficult to make a comparison and to answer the question as you put it.

Mr. GARDNER. I suggest that he compare it with 1901.

The CHAIRMAN. Compare it with 1901.

Mr. HANNA. The price in 1901 and 1902—I do not recall the exact price—was very high, as they were both prosperous years in the steel industry.

The CHAIRMAN. Was the price higher than now?

Mr. HANNA. My recollection is that the price was. The price of ore is cheaper considerably this year than last, owing to the change in conditions.

The CHAIRMAN. In 1907?

Mr. HANNA. In 1907 the price of ore was substantially what it was in 1910, as I recall it. There may have been 15 or 20 or 35 cents a ton difference, but substantially the same, as I recall it.

The CHAIRMAN. You speak of the growing value of the ore moving you materially in the purchase of the Tennessee Coal & Iron Co. Just explain to the committee about what amount of ore, limestone, and coal was available and in sight at the time of this purchase?

Mr. HANNA. Well, I can only give you, Mr. Chairman, the figures that were given us at the time. There had been, I do not know just how long before the purchase of the control of the Tennessee stock,

an examination of the Alabama minerals made by a board of mining engineers. I think they were, to a very considerable extent, estimates. Our own experience later, after we got into it, rather proved that they were estimates. Therefore, I do not attach that value to those figures that I otherwise would. The total amount of ore of the Tennessee Co. was variously estimated from 400,000,000 tons to 500,000,000 tons, good, bad, and indifferent, the coal anywhere between one thousand million and two thousand million tons. I think that, however, was largely an estimate.

The CHAIRMAN. You had a board of engineers make a written report on that?

Mr. HANNA. No, sir; we never had a board. This report was made prior to the purchase of the control of the property by the syndicate with which I was connected.

The CHAIRMAN. Now, did you purchase this property—the Tennessee Coal & Iron Co.—with any idea of developing that property?

Mr. HANNA. Yes, sir; solely with that idea.

The CHAIRMAN. Did you employ Mr. Morgan or any other syndicate managers to float your bonds or organize the syndicate?

Mr. HANNA. Whatever financing the Tennessee Coal & Iron Co. did during my connection with them did not cost them the price of a postage stamp.

The CHAIRMAN. You employed nobody?

Mr. HANNA. There were no bankers connected with the financing.

The CHAIRMAN. Did you have anybody employed in any way to market your stock?

Mr. HANNA. No, sir; the stockholders took the stock that was issued, and through the stock, and the stock only, we did the financing during our control of the company.

The CHAIRMAN. Under the laws of what State was the Tennessee Coal & Iron Co. incorporated?

Mr. HANNA. The laws of the State of Tennessee.

The CHAIRMAN. Was it incorporated under the laws of the State of New Jersey?

Mr. HANNA. No, sir; the laws of the State of Tennessee.

The CHAIRMAN. Did you have any provision in the charter of your company by which you could buy and sell your own stock in case it went up or down?

Mr. HANNA. No, sir; not that I am aware of. We simply offered the issue of stock to the stockholders of record at par.

The CHAIRMAN. You had several plants there in connection with the Tennessee Coal & Iron Co.?

Mr. HANNA. Oh, yes; coal mines, ore mines, limestone quarries, blast furnaces, steel plants, a rail mill, and two rolling mills.

The CHAIRMAN. Any railroad?

Mr. HANNA. Not when the syndicate purchased the control. The railroad by the former administration had been sold to the Louisville & Nashville and the Southern systems. We, however, bought the railroad back during our control of the property.

The CHAIRMAN. What was the character of those plants as to their efficiency—were they modern or not at the time this property was purchased?

Mr. HANNA. Our mines were all in very good physical and economical operating condition; the coal mines only fairly so. The

blast furnaces, with the exception of two new furnaces that had been built at Ensley, were all rather old and not what I would call modern or up to the standard of the day. The steel plant, the rail mill, and the rolling mills were back numbers.

The CHAIRMAN. When you bought it did you attribute its greatest value to those plants or to the ores and coals—where was the principal value of this property?

Mr. HANNA. I think, Mr. Chairman, the controlling influence of the people who went into it was the mineral in the ground rather than the improvements on the surface.

The CHAIRMAN. I will ask you to explain to the committee in that connection the relation of these minerals to each other, the coal, the limestone, and the ore, the location of all of those things to the blast furnaces in which they were utilized, and describe, as fully as you care to, to this committee the facilities, natural and otherwise, for assembling those products at the mines of this property.

Mr. HANNA. The advantages of economically assembling the raw materials were very unusual, I think; perhaps the only case of the kind that I know of in our country. Within a radius of 25 miles of a central point nine-tenths, and perhaps nineteen-twentieths, of all of the mineral was produced, and the transportation cost of moving the raw materials to a central point—the largest point of manufacture was Ensley—was very cheap, especially so after we repurchased the railroad that had been disposed of before our ownership.

The CHAIRMAN. How far removed were your coal mines from your works at Ensley; how far did you have to transport your coal and coke?

Mr. HANNA. Four or five or six miles on our own rails.

The CHAIRMAN. Is that a material factor?

Mr. HANNA. Oh, yes.

The CHAIRMAN. In the cost of producing iron?

Mr. HANNA. Yes, sir. Inasmuch as it takes considerably more than a ton of coal to make a ton of coke, the tonnage in large operations is very material. The same might be said of the ore. It takes of the southern ores, which are very much leaner in metallic contents more than the northern ores, it takes on the average, well, in round numbers, about 3 tons of southern ore to make a ton of steel, while in the Lake Superior district it takes about 2 tons of ore to make a ton of steel. There is the relative difference between the two districts.

The CHAIRMAN. Are the ores in the region of which you speak—any of them—self-fluxing ores?

Mr. HANNA. Why, no, sir; although some of them were very much better than others as regards the lime and magnesia contents in the ore, which are the fluxing contents of iron ore.

The CHAIRMAN. How much limestone and other fluxing materials as that have to be used with those ores as compared with the Bessemer ores?

Mr. HANNA. Some of the Bessemer ores carry both lime and magnesia. No iron ore is self-fluxing, so far as I know of, that exists in any quantity; they all require limestone as a flux.

The CHAIRMAN. What I am trying to get at is the difference in the per cent of self-fluxing material in the Tennessee ores and, say, the Superior ores?

Mr. HANNA. It is not worth discussing.

The CHAIRMAN. Do you know what the difference is?

Mr. HANNA. Oh, no. It runs down to a very small percentage, and it is not an item of any great consequence. Iron ore that carries 3 or 4 per cent of limestone and magnesia is very unusual, and many of them carry less than 1 per cent, some half of 1 per cent, and some 1½ per cent. I have never known of an ore that carried over 5 or 6 per cent, combined, of limestone and magnesia.

The CHAIRMAN. About how far did you have to transport your iron ore?

Mr. HANNA. Well, the so-called Brown ore of the district, some of it came 60, 70, or 80 miles, I think, in limited quantities. The Brown ore was the farthest removed from the center of operations—25 to 30 miles. The red ores, which are the main ores of the Alabama district, were within 10 or 12 or 15 miles of Ensley, nearer some other point where the Tennessee Co. had some furnaces located. They had plants at four or five different points—that is, blast furnaces.

The CHAIRMAN. What was the shortest distance between the iron mines and your blast furnaces, the train haul that you had to make?

Mr. HANNA. I would say 5 or 6 or 7 miles, as I recall it. It has been five or six years since I have been at the plant, and I do not recall it exactly.

The CHAIRMAN. A very short distance?

Mr. HANNA. Yes, sir.

The CHAIRMAN. How far, approximately how many miles, is it necessary to haul over land and water the Bessemer ores for conversion, say, at Pittsburg?

Mr. HANNA. Well, there are four different districts in Lake Superior.

The CHAIRMAN. Say Two Harbors?

Mr. HANNA. Take the Minnesota district, the average rail haul is, I suppose, 80 miles, I do not know exactly, and the water haul from Duluth or Two Harbors to the south shore of Lake Erie, 700 to 800 miles, and from the south shore of Lake Erie to Pittsburg, I suppose, 125 to 135 miles would be the average mileage over the different systems' lines.

The CHAIRMAN. Roundly speaking, a thousand miles.

Mr. HANNA. Not far from a thousand miles.

The CHAIRMAN. How far is it necessary to transport the coke from the old Connellsville region?

Mr. HANNA. In the district proper the distance is very short. I can not give you from memory the exact mileage.

The CHAIRMAN. One hundred miles?

Mr. HANNA. No, sir; I will say well under a hundred miles. It varies, the length of the coal haul.

The CHAIRMAN. I understood that it was 100 miles?

Mr. HANNA. No; it is materially less than 100 miles.

The CHAIRMAN. You say that the facilities for assembling were one of the elements that made this property very valuable in your eye?

Mr. HANNA. Yes, sir.

The CHAIRMAN. When you purchased this property, Mr. Hanna, you say that there were some rail mills there? What process was

being used at that time in making steel rails in these mills, the Bessemer or open-hearth process?

Mr. HANNA. The open-hearth process, that being the only process possible with the ores of Alabama.

The CHAIRMAN. On account of the phosphorus?

Mr. HANNA. Yes, sir; on account of the phosphorus.

The CHAIRMAN. You had what you call an open-hearth rail mill?

Mr. HANNA. Yes, sir.

The CHAIRMAN. How many open-hearth rail mills were there on this continent at the time you purchased the Tennessee Coal & Iron property?

Mr. HANNA. In the United States that was the only one.

Mr. GARDNER. Was the open-hearth rail mill in operation at the time you sold out your property?

Mr. HANNA. The new open-hearth mill was just reaching completion, sir; we were building a new plant. There was an open-hearth plant when we bought the property which we operated constantly while building the new one.

Mr. GARDNER. Was that one of the plants that you said were antiquated when you bought the property?

Mr. HANNA. Yes, sir. We tore down the old open-hearth plant.

The CHAIRMAN. Could you find any sale for those rails made by this process, new in this country, so far as making steel rails was concerned?

Mr. HANNA. Yes, sir; we sold our rails.

The CHAIRMAN. Were rails made from this low-grade ore, and notwithstanding its phosphorous contents by this process as good as the rails made from the high-priced Bessesmer ore?

Mr. HANNA. Yes, sir.

The CHAIRMAN. Could you get as much money for them?

Mr. HANNA. We got $1 a ton more the last year that we owned the property.

The CHAIRMAN. More than for the rails made in Pittsburg?

Mr. HANNA. Owing to the fact that the phosphorous contents of the rail was lower than the Bessemer rail.

The CHAIRMAN. Were you able to get contracts for the sale of these rails in any amount?

Mr. HANNA. Well, the last year we owned that property, selling against the completion of our new open-hearth plant and the rail mills, we had a very respectable order book for rails.

The CHAIRMAN. From small railroads in the vicinity, or from any of the big roads?

Mr. HANNA. Mostly round tonnage orders, but from the roads south of the Ohio River.

The CHAIRMAN. Did you get any orders from Mr. Harriman for rails?

Mr. HANNA. Yes, sir. The last year we were in control of the property we had a very liberal order from Mr. Harriman.

The CHAIRMAN. How much?

Mr. HANNA. My recollection is it was 157,500 tons.

The CHAIRMAN. Was he to pay you anything like as much as he paid for the Bessemer rails?

Mr. HANNA. He paid us $1 per ton more than the asking price for Bessemer rails.

The CHAIRMAN. He paid you $1 per ton more than the market price for Bessemer rails at that time?

Mr. HANNA. Yes, sir.

The CHAIRMAN. Mr. Hanna, how long was it after Harriman gave you that order for 150,000 tons of rails until you learned that your company was in trouble in Wall Street?

Mr. HANNA. Well, I could not from memory state the exact time that the Harriman order went onto our books; I think several months, at least, before the property, or the control of the property, was disposed of.

The CHAIRMAN. Did you make any bona fide effort to improve this property or invest any considerable sums in the improvement of it?

Mr. HANNA. Oh, yes, sir. That was our main object in view, to modernize and standardize the physical operation of the whole property.

The CHAIRMAN. You did not buy the property to sell it?

Mr. HANNA. No, sir; not so far as I ever had any knowledge of the operation.

The CHAIRMAN. I have heard it repeatedly stated, Mr. Hanna—I do not mean to contradict you, because I am inclined to agree with you, but I have heard it repeatedly stated, and it has come to the ears of this committee from many sources, or perhaps I should say from many persons, that this property was purchased by that syndicate for the purpose of getting control of it, then a comparatively worthless property, and unloading it at the right time. Was there any such purpose in your mind or in the minds of that syndicate?

Mr. HANNA. No, sir.

The CHAIRMAN. Will you tell this committee just what improvements you made and just what money you invested in an effort to honestly improve and develop that property as a big blacksmith shop—if I can use such a term—as a going business concern and not as of the basis of a mass of stocks and bonds.

Mr. HANNA. Well, the improvements we made were to build a new open-hearth steel plant, a new rail mill. I think we finished one and built two new blast furnaces, replacing old ones at Ensley, and spent a great deal of money on the whole property, on the coal mines, and on the washers. We spent a number of hundreds of thousands of dollars in washers to purify our coal, to make it better for coking purposes, improved our coke ovens, improved the railroad, after we came into possession of it again, the physical condition of the tracks, motive power, equipment. There was plenty to do, Mr. Chairman, on the property when we acquired it. It was not any one thing, but it was the whole thing that needed modernizing.

The CHAIRMAN. How much money did you spend from the time you bought the property until you lost it?

Mr. HANNA. Well, we had already spent $7,000,000.

The CHAIRMAN. $7,000,000?

Mr. HANNA. Yes, sir; and we had three million and odd hundred thousand dollars of new stock that was being issued, covering over a year's time, which would have brought the total up, in round numbers, to about—I do not recall the exact figures—a little upward of $10,000,000 is my recollection.

The CHAIRMAN. Was this $10,000,000 a part of an investment looking to still further development of this property and the investment of still larger sums of money?

Mr. HANNA. Oh, yes, sir. There was opportunity to spend just as much more around there.

The CHAIRMAN. And you intended to spend just as much more?

Mr. HANNA. If we intended to bring the whole plant, as I say, up to the standard of the present time, and increase our capacity, of course, as market conditions warranted.

The CHAIRMAN. Had you orders on your books at the time you were absorbed or assimilated or purchased, or whatever term I should use, to justify you in the expenditure, actual or contemplated, of $20,000,000?

Mr. HANNA. Well, Mr. Chairman, the general conditions of business were such at the time we were spending this $7,000,000 and had agreed to issue three million and odd hundred thousand dollars more, that certainly warranted the company in doing it; but just how soon following the completion of that expenditure we should have spent more money would probably have depended very largely on the conditions of business. As your committee and yourself are all well aware, it is not easy to raise new capital under depressed conditions of business.

The CHAIRMAN. Have you any idea of the amount of orders outstanding and on your books at the time you were absorbed?

Mr. HANNA. Yes, sir; we had rails booked for 1908 delivery of about 350,000 tons, as I recall it. I do not remember the total tonnage of our pig iron or coal. I do not recall that, but we had considerable, of course. As the condition of business warranted the old country buying for future deliveries, we were well booked ahead in all departments.

The CHAIRMAN. Were you liable, at the rate you were going, at any time in the immediate future to become an active competitor for any considerable portion of the steel trade of this country?

Mr. HANNA. Not north of the Ohio River.

The CHAIRMAN. How about south of it?

Mr. HANNA. We would have been a competitor of any of the northern steel companies seeking trade in that section for such articles in the steel schedule as we were manufacturing .

The CHAIRMAN. The region, as I understand you, south of the Ohio River and from there down to the Mexican line?

Mr. HANNA. Oh, yes, sir. We went into the Southwest and the whole South. I will qualify my statement in this—in pig iron we did go into the northern markets, but not in steel.

The CHAIRMAN. How much cheaper could you make pig iron than they could make it anywhere else in the United States, if any?

Mr. HANNA. Well, I do not know that I am fully advised as to the exact cost in all districts in the United States of manufacturing pig iron. I think, however, I am justified in saying, with a modern plant, cheaper pig iron can be made in Alabama than any other district in our country.

The CHAIRMAN. Can you make pig iron cheaper in Alabama than anywhere on the habitable globe?

Mr. HANNA. Than any place where?

The CHAIRMAN. Is there any place in the world where pig iron can be made as cheaply as it can be made in Alabama?

Mr. HANNA. I can not answer that question intelligently.

The CHAIRMAN. Do you know of any such place?

Mr. HANNA. I do not, so far as I have knowledge.

The CHAIRMAN. How about your export trade? Could you ship rails as cheaply as they could from the blast furnaces and factories and mills in the North to South American countries?

Mr. HANNA. Our development in the Tennessee Co. had not reached a stage where we had any ambition for foreign trade and had never looked into it.

The CHAIRMAN. Do you know what you could have done if you had had such orders?

Mr. HANNA. Looking to the future, we of course considered it. We thought, with the advantages of cheap transportation to tidewater, the completion of slack-water navigation on the Big Warrior River, giving us very cheap transportation to the Gulf, all of those advantages, of course, that were coming in the future, and as we further developed our property and diversified our products, we thought it might be possible to become an exporter of steel.

The CHAIRMAN. With the development of the improvement of the Black Warrior River, could you put rails at tidewater c. i. f. as cheaply as they could at Pittsburg?

Mr. HANNA. I think, with a modern plant, yes, sir.

The CHAIRMAN. Mr. Hanna, you say your stock was not on the market?

Mr. HANNA. The syndicate stock was tied up by the syndicate agreement, Mr. Chairman. It was not available to be sold until the agreement expired, except by the syndicate managers, of course.

The CHAIRMAN. You issued some bonds. Did you have any trouble in disposing of those bonds?

Mr. HANNA. We did not issue any bonds while we owned the property?

The CHAIRMAN. You did not?

Mr. HANNA. No, sir. We did all our financing with stock, by sale of stock to the stockholders of record of the company.

The CHAIRMAN. You spoke of raising several million dollars. Explain how that was done.

Mr. HANNA. That was all on stock.

The CHAIRMAN. What did it cost you to raise that money?

Mr. HANNA. Nothing, except the incidental expense of the organization of the company doing such work, as is essential always in the issuance of new stock.

The CHAIRMAN. There was no bonded indebtedness outstanding against the Tennessee Coal & Iron Co. at the time it was absorbed?

Mr. HANNA. Oh, yes; a large bonded indebtedness; but placed there by the former ownership of the property.

The CHAIRMAN. And not by yourself?

Mr. HANNA. No, sir. The Tennessee property was an amalgamation of several different southern interests, all of which, my recollection is, had some bonded indebtedness, and of course the parent company assumed the bonds.

The CHAIRMAN. Do you remember what you paid for that stock?

Mr. HANNA. For the first purchase, 110.

The CHAIRMAN. What was the purpose of the syndicate managers or the syndicate having that stock placed in your hands and in the hands of Moore & Schley with an agreement as to the sale of it? Was it in order to more easily dispose of the stock, or to prevent it from being disposed of?

Mr. HANNA. Mainly to prevent a sale of any of the stock, the control having been purchased originally with the idea of legitimate development of the property. We realized that we could not finance these improvements to advantage except the control was going to remain for a long enough time to develop the possibilities of the property, and through the possibilities or the success of the development continue additional financing as it became necessary.

The CHAIRMAN. Was there any understanding as to whether this stock would be sold below par or not?

Mr. HANNA. No, sir; not to my knowledge. There never was any discussion, to my knowledge, up to the time of the transaction which did occur. It was never discussed in an official way.

Mr. GARDNER. May I repeat that question, so as to be sure the witness understood it? Was there anything in this agreement by which you and Mr. Schley acted for the syndicate which prohibited you from selling that stock at a loss without their consent?

Mr. HANNA. Oh, no. The syndicate managers had absolute power, but I understood the question to be: Had we ever contemplated, during the ownership of the property, selling the stock for less than par?

Mr. GARDNER. No; the question was, I think, what the power was under the agreement.

Mr. HANNA. The syndicate managers had the power, solely the power, of selling the stock without further agreement.

Mr. GARDNER. Could they sell it at a loss?

Mr. HANNA. Yes, sir.

Mr. YOUNG. Mr. Hanna, we have had some direct testimony that there was a provision in that contract that it could not be sold at a loss without the consent of all interested. I call your attention to that so you will be sure you are right about it.

Mr. HANNA. I have not recently read the original syndicate agreement. I am speaking from recollection.

Mr. GARDNER. Is the agreement in your possession?

Mr. HANNA. Yes, sir; and will be in the hands of the committee, and possibly that will answer the question the chairman has asked better than I can answer from memory. However, my recollection is as I have stated, but on the point you raise I may be mistaken.

The CHAIRMAN. I believe you say there was absolutely no effort made and no intention to sell the stock on the part of the syndicate management.

Mr. HANNA. Not to my knowledge, Mr. Chairman. During my connection with the company there was more or less gossip, I might say, here in New York at different times, possibly, but there was never any official effort made on the part of the managers.

Mr. BARTLETT. Mr. Hanna, we already have in the record the names of the gentlemen and the number of shares of the stock which the syndicate owned, and it is not necessary to ask you about that, but is it or is it not a fact that the gentlemen who composed that syndicate and had this 118,000 or 120,000 shares of the stock, were gentlemen who were financially able to carry it, ordinarily?

Mr. HANNA. Oh, under average conditions I would say amply able.

Mr. BARTLETT. Well, is it not a fact that they were gentlemen who were financially very strong?

Mr. HANNA. The principal factors in the syndicate, do you speak of?

Mr. BARTLETT. Yes.

Mr. HANNA. There were quite a large number of smaller holders whom I could not speak of individually as regards their responsibility. The principal factors I would say were all financially able, under average conditions.

Mr. BARTLETT. I will read the names to you. There were Mr. O. H. Payne, yourself, Mr. Schley, J. B. Duke, E. J. Berwind, J. W. Gates, A. N. Brady, G. A. Kessler, O. Thorne, E. W. Oglebay, H. S. Black, F. D. Stout, J. W. Simpson, G. W. French, S. G. Cooper, and J. A. Topping. Those gentlemen, according to the evidence, had 118,500 shares.

Mr. HANNA. Yes, sir.

Mr. BARTLETT. Now, was not each one of those men pretty well to do and strong financially?

Mr. HANNA. That is the reputation they bear.

Mr. BARTLETT. And combined, did they not represent a very large amount of wealth and financial ability?

Mr. HANNA. That is the reputation they bear.

Mr. BARTLETT. Well, do you not know that to be not only their reputation, but do you not know it to be a fact?

Mr. HANNA. I can not state from individual knowledge the worth of those gentlemen, sir.

Mr. BARTLETT. But you did believe, and they believed, you would be able to hold the stock and to carry it?

Mr. HANNA. Oh, there never was any other thought entertained at any time during our ownership.

Mr. GARDNER. May I ask a question in that connection?

The CHAIRMAN. Yes.

Mr. GARDNER. There has been a great deal of testimony bearing out what you say as to the capacity of those men to hold this stock under normal conditions. I find in the evidence of Mr. Schley before the Senate Committee on Judiciary this statement:

> But there was hardly a man of the whole party but was depressed more or less by the terrible condition of affairs, not only financially, but in his mind—

And so on.

Is it your opinion that a large majority of those men were depressed financially during the panic of October, 1907?

Mr. HANNA. I have no means of knowing as to what might be the case with reference to all the names read by Judge Bartlett. My judgment is that most men under conditions existing at the time this sale was made have more or less embarrassment, perhaps, without regard to the extent of their fortunes, in caring for themselves and their interests. It is fair to assume that men such as the gentleman has just read had other interests, perhaps, that needed care at this same time.

The CHAIRMAN. Did any of these gentlemen named by Judge Bartlett indicate to you, directly or indirectly, that he was in such financial straits and immediate distress that he wished to throw overboard, lighten his weight, by disposing of his stock in the Tennessee Coal & Iron Co.?

Mr. HANNA. None; outside of the firm through whose——

The CHAIRMAN (interposing). Well, we know about that.

Mr. HANNA. Yes; you know about that. I do not think I ever discussed the question individually.

Mr. HANNA. Mainly to prevent a sale of any of the stock, the control having been purchased originally with the idea of legitimate development of the property. We realized that we could not finance these improvements to advantage except the control was going to remain for a long enough time to develop the possibilities of the property, and through the possibilities or the success of the development continue additional financing as it became necessary.

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Mr. HANNA. Oh, no. The syndicate managers had absolute power, but I understood the question to be: Had we ever contemplated, during the ownership of the property, selling the stock for less than par?

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Mr. BARTLETT. Yes.

Mr. HANNA. There were quite a large number of smaller holders whom I could not speak of individually as regards their responsibility. The principal factors I would say were all financially able, under average conditions.

Mr. BARTLETT. I will read the names to you. There were Mr. O. H. Payne, yourself, Mr. Schley, J. B. Duke, E. J. Berwind, J. W. Gates, A. N. Brady, G. A. Kessler, O. Thorne, E. W. Oglebay, H. S. Black, F. D. Stout, J. W. Simpson, G. W. French, S. G. Cooper, and J. A. Topping. Those gentlemen, according to the evidence, had 118,500 shares.

Mr. HANNA. Yes, sir.

Mr. BARTLETT. Now, was not each one of those men pretty well to do and strong financially?

Mr. HANNA. That is the reputation they bear.

Mr. BARTLETT. And combined, did they not represent a very large amount of wealth and financial ability?

Mr. HANNA. That is the reputation they bear.

Mr. BARTLETT. Well, do you not know that to be not only their reputation, but do you not know it to be a fact?

Mr. HANNA. I can not state from individual knowledge the worth of those gentlemen, sir.

Mr. BARTLETT. But you did believe, and they believed, you would be able to hold the stock and to carry it?

Mr. HANNA. Oh, there never was any other thought entertained at any time during our ownership.

Mr. GARDNER. May I ask a question in that connection?

The CHAIRMAN. Yes.

Mr. GARDNER. There has been a great deal of testimony bearing out what you say as to the capacity of those men to hold this stock under normal conditions. I find in the evidence of Mr. Schley before the Senate Committee on Judiciary this statement:

> But there was hardly a man of the whole party but was depressed more or less by the terrible condition of affairs, not only financially, but in his mind—

And so on.

Is it your opinion that a large majority of those men were depressed financially during the panic of October, 1907?

Mr. HANNA. I have no means of knowing as to what might be the case with reference to all the names read by Judge Bartlett. My judgment is that most men under conditions existing at the time this sale was made have more or less embarrassment, perhaps, without regard to the extent of their fortunes, in caring for themselves and their interests. It is fair to assume that men such as the gentleman has just read had other interests, perhaps, that needed care at this same time.

The CHAIRMAN. Did any of these gentlemen named by Judge Bartlett indicate to you, directly or indirectly, that he was in such financial straits and immediate distress that he wished to throw overboard, lighten his weight, by disposing of his stock in the Tennessee Coal & Iron Co.?

Mr. HANNA. None; outside of the firm through whose——

The CHAIRMAN (interposing). Well, we know about that.

Mr. HANNA. Yes; you know about that. I do not think I ever discussed the question individually.

The CHAIRMAN. You and Mr. Schley had the sole power to sell a majority of this stock, had you not?

Mr. HANNA. Yes, sir; that is my recollection of the syndicate agreement.

The CHAIRMAN. What per cent of that stock had you control of?

Mr. HANNA. Judge Bartlett referred to 118,500 shares; that was the original amount purchased; at that time there being, as I recall it, 223,000 shares outstanding of the Tennessee Co., of which the syndicate owned 118,500 shares. That amount of stock was, later on in 1906, increased some 40,000 and odd shares; and added to that would be the increases of new stock issued to do the financing of the company for the improvements we have been discussing. So that at the time of the sale my recollection is that the syndicate controlled approximately two-thirds of the total stock.

The CHAIRMAN. I believe there was some loose stock that had been bought and sold on exchange, was there not?

Mr. HANNA. In round numbers there were about 100,000 shares of free stock, as we termed it—stock belonging to people who could do as they chose with it. A very considerable amount of the free stock was owned by those who were interested in the syndicate also.

The CHAIRMAN. What proportion of that stock was free—in the sense that it went from hand to hand?

Mr. HANNA. About 100,000 shares is my recollection.

Mr. BARTLETT. You stated, though, that a part of that free stock was still owned by members of the syndicate.

Mr. HANNA. Oh, to some extent. I never had any exact knowledge on that point, but I know there was some. I owned some free stock myself.

Mr. GARDNER. Held outside the syndicate agreement?

Mr. HANNA. Oh, entirely free from the syndicate agreement.

The CHAIRMAN. When did you first learn that there was any danger of the syndicate losing control of this stock?

Mr. HANNA. On Sunday morning preceding the sale. I had left New York Thursday night and returned home to Cleveland. I was called on the long distance Sunday morning and advised of the acute condition as regarded the Tennessee stock.

The CHAIRMAN. Who advised you?

Mr. HANNA. Mr. Schley.

The CHAIRMAN. What was Schley's complaint or trouble?

Mr. HANNA. That I am not competent to say.

The CHAIRMAN. I mean what did Schley say was the matter?

Mr. HANNA. Oh, he said, as I recall the conversation over the phone, that several banks in which a very considerable amount of Tennessee stock was lodged as collateral had asked for substitution of other collateral.

The CHAIRMAN. Did he give you any reason why this was done?

Mr. HANNA. No, sir; not at that time.

The CHAIRMAN. At any time?

Mr. HANNA. No; I do not know that he ever gave any exact reason.

The CHAIRMAN. What banks were they that were demanding additional collateral?

Mr. HANNA. That I could not answer. I know only one bank where Mr. Schley did business; but whether there was Tennessee

stock in that particular bank I do not know. I was not familiar with Mr. Schley's banking connections.

Mr. GARDNER. What bank was that?

Mr. HANNA. The Chase National.

Mr. GARDNER. Did Mr. Schley state to you whether these banks had arbitrarily demanded additional collateral because they themselves felt they were not secure in their loans on account of this collateral, or that other conditions and other influences had forced the hands of the banks?

Mr. HANNA. I think, so far as any knowledge I had on that subject, it was the feeling of lack of security with the amount of Tennessee stock that was in the collateral. It being a syndicated stock, as a matter of course that limited the marketing of that stock. To use a Wall Street expression, it was a "peg" stock, from the fact it was controlled by a syndicate for a fixed period of time, and I assume you all know that a bank considers that character of stock in collateral under abnormal conditions such as existed at that time as not good collateral.

The CHAIRMAN. What was the free stock selling for just prior to the time that its value as collateral was questioned?

Mr. HANNA. Really, Mr. Chairman, during the time I was identified with the Tennessee Co. the transactions in the Tennessee stock on the stock exchange amounted to absolutely nothing. I think the price nine-tenths of the time was nominal. On account of this very syndicate agreement, I do not think you could have gone onto the stock exchange and sold 1,000 shares of it without a hard fight, and the quotations on that stock were nominal.

The CHAIRMAN. Do you remember what it did sell for?

Mr. HANNA. I think nominally from 120 to 130, but it was nominal, absolutely.

Mr. GARDNER. Mr. Chairman, may I ask a question right there?

The CHAIRMAN. Yes.

Mr. GARDNER. I do not think there is any reason for you to answer this question if you object. What price did you pay for your own stock, outside the syndicate, the free stock you owned?

Mr. HANNA. Well, some of the stock that I bought, there was more or less sentiment attached to it, or charity, whichever you may choose to call it—a member of the syndicate who died very suddenly and was owing some considerable money on stock, a party of us took up that stock, as I recall it, at 120.

Mr. GARDNER. Approximately what date was that?

Mr. HANNA. Oh, that was 18 or 20 months prior to the changing hands of the property. It was very soon after the original deal was made.

Mr. GARDNER. Was it after the first payments had been made on the new stock which was issued at par?

Mr. HANNA. No, sir; I would say it was prior to the first payment on the new stock issued.

Mr. GARDNER. So it is fairly comparable with the purchase price which was afterwards, I take it, reduced to 110, from the fact that you issued new stock at par?

Mr. HANNA. Yes, sir; seven millions of stock.

Mr. GARDNER. So that at 120 that showed a profit of 10 per cent over the purchase price.

Mr. HANNA. Yes, sir; minus the expense of carrying it during the time. That is the only outside stock I ever owned. I mean what I would call free stock.

Mr. BARTLETT. You say that this stock was quoted on the market nominally at 120?

Mr. HANNA. It varied from 120 to 130 for a very considerable period of time, and sometimes a month or two months would go by without a single transaction.

Mr. BARTLETT. Then there was no indication in the stock market at the time this additional collateral was called for by the banks that the stock had depreciated in value, was there?

Mr. HANNA. It depends upon the point of view. From a banker's standpoint, handling collateral and on Wall Street loans, a very decided difference in the value of the stock.

Mr. BARTLETT. That was not the question I asked, Mr. Hanna. I asked whether there was any indication from the quotations on the stock market or the sale of the stock on the stock market that the stock had depreciated in value?

Mr. HANNA. Well, there was really no market for the stock and, therefore, I do not know how I could answer that question. My judgment is if I had gone on the market with 1,000 shares of stock and forced it, I would have broken the market from 10 to 20 points.

The CHAIRMAN. As I understand, the reason there was no market for the stock was because the syndicate managers, believing it to be a valuable property and wanting to keep control of it, had tied up a majority of the stock—"pegged" it, as you say—for the purpose of preventing its being sold.

Mr. HANNA. Yes, sir; and while I am not very familiar with Wall Street, I think it is a well-known fact that Wall Street always "shies" at stock in that position.

The CHAIRMAN. You were indifferent to quotations on your stock, because you did not want to sell your property and did not care anything about what it was quoted at?

Mr. HANNA. I paid no attention to the stock market. The stock was selling high, considering its earning power or its dividend-paying rate during that period of time. The company paid 4 per cent dividends only, and 120 or 130, as we all know, is a pretty high price for a 4 per cent stock. That price indicated the future value more than the present value of the property.

The CHAIRMAN. And its lack of present value and the small dividend rate was owing to the fact you were putting your earnings into betterments and that you realized the potential value of the stock in the amount of raw materials at hand and facilities for assembling them, and you were improving it continually; is that true?

Mr. HANNA. We did, more or less, put the earnings back into the property. I can not recall the amount.

The CHAIRMAN. If you had put all your earnings into your dividends and turned your stock loose, what value would it have had? What effect would that have had on its value?

Mr. HANNA. I am not capable of answering that question, Mr. Chairman. I do not know.

The CHAIRMAN. Well, it would materially have enhanced the selling price, would it not?

Mr. HANNA. I suppose, in the hands of a clever manipulator, it might have enhanced the selling price on the stock exchange.

The CHAIRMAN. Now, you spoke of Mr. Schley being in trouble—having hypothecated a good deal of this stock—was there any other person selling this stock or speculating in it?

Mr. HANNA. No, sir; there was no trading in it.

The CHAIRMAN. Well, did Mr. Kessler have some of the stock?

Mr. HANNA. Mr. Kessler, my understanding is, had a very considerable amount of free stock. He also was a member of the syndicate; that is, he owned syndicate stock. Just what his holdings were outside of the syndicate, though, I have never had any definite knowledge of.

The CHAIRMAN. Outside of Moore & Schley and Kessler, were any other members of this syndicate, to your knowledge, speculating in this stock at all?

Mr. HANNA. No, sir; not to my knowledge. There was no speculation in it, Mr. Chairman. There was no opportunity to speculate.

The CHAIRMAN. At the time this stock was sold was it necessary that this syndicate should put its stock on the market in order to save either the Tennessee Coal & Iron Co. or the members of the syndicate, Moore & Schley excepted, from financial ruin?

Mr. HANNA. It was not necessary so far as the Tennessee Coal & Iron Co. was concerned. They were in a very comfortable condition at the time financially. The reason has been given, and I think correctly, that it was solely on account of the condition at the time in New York and the country over.

The CHAIRMAN. How did you happen to sell this stock if it was not necessary for business reasons or sentimental reasons?

Mr. HANNA. I suppose it is well understood that it was the only solution of the troubles of this firm, who had this large amount of this stock in their collateral.

The CHAIRMAN. Then your purpose was to save Moore & Schley?

Mr. HANNA. Well, I think it was a larger question than that, Mr. Chairman, if you want my opinion. I think if Moore & Schley had gone at that time, being one of the foremost and largest concerns in that line in New York, the feeling was here among the best people that a number of other similar firms would go, and that the whole situation, which was acute and bad at the time, would become very much worse and pass beyond the control of man.

The CHAIRMAN. What amount of money changed hands at the passing of the Tennessee Coal & Iron Co.'s stock?

Mr. HANNA. Not a dollar.

The CHAIRMAN. In the coffers or hands of the United States Steel Corporation?

Mr. HANNA. There was no cash passed. It was an exchange of securities, stocks for bonds.

The CHAIRMAN. Just an exchange of securities?

Mr. HANNA. Yes, sir.

The CHAIRMAN. What was the condition here in New York immediately prior to that transaction—the condition financially?

Mr. HANNA. Bad financially.

The CHAIRMAN. What effect did that transaction have upon it?

Mr. HANNA. I think it had a very beneficial effect myself.

The CHAIRMAN. The pressure ceased automatically, you might say, if I understand you, with the exchange of those securities?

Mr. HANNA. I do not know that I am competent to pass upon that question, not being identified closely with financial interests in New York. I was here, however, for some considerable time following that period. My judgment would be that they did ease the pressure, and while there was, of course, following that for some time a feeling of unrest and uncertainty, it did develop that that deal was the turning point.

The CHAIRMAN. And it turned at that point notwithstanding the fact that not an additional dollar was placed at the disposal of any banker in New York by virtue of the turn?

Mr. HANNA. Yes, sir; so far as that deal itself was concerned. The substitution immediately took place of the United States Steel sinking fund 5 per cent bonds, in the collateral of this fund for Tennessee stock.

The CHAIRMAN. Were those original bonds or second mortgage?

Mr. HANNA. They, I suppose, could be called second mortgage. They are generally considered a very good security, however.

The CHAIRMAN. How much of your stock had the United States Steel Corporation under its control at the time of that transaction?

Mr. HANNA. You mean prior to this transaction?

The CHAIRMAN. Yes, sir.

Mr. HANNA. To my knowledge not a share.

The CHAIRMAN. Had not they gotten $2,000,000 worth?

Mr. HANNA. I never knew it if they did. I never heard it.

Mr. GARDNER. May I ask that you repeat the question, Mr. Chairman?

The CHAIRMAN. I asked if they did not have $2,000,000 worth of those securities?

Mr. STERLING. That is, of the United States Steel Corporation?

The CHAIRMAN. Yes.

Mr. GARDNER. May I ask a question there, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. GARDNER. Did you ever hear of an exchange of any sort between Moore & Schley, or Grant B. Schley and the Steel Corporation of $2,000,000 worth of stock for these bonds, which was to become permanent if the transaction was not reversed and the stock taken up in April, of 1908, by Moore & Schley or Grant B. Schley.

Mr. HANNA. There was an exchange. The conditions of it I did not understand to be as you state them, although I am not asserting that I have the true knowledge of the case. I had supposed it was only a very short period in advance of the formal closing of this transaction, and that they had anticipated only those few days. That is my understanding, but I am not sure.

Mr. GARDNER. The testimony has shown that such a transaction took place in October, I think.

Mr. HANNA. This was the 2d day of November, my recollection is—no, it was the last——

Mr. GARDNER (interposing). The 5th day of November it was consummated.

Mr. HANNA. Yes; that was on the 5th. I think it was on Friday, the 2d day of November—if Friday was the 2d—that the notice was given to substitute their collateral for the Tennessee collateral.

Mr. GARDNER. Along about the 23d day of October, 1907, Mr. Schley, according to the testimony now, offered $2,000,000 par value

of stock of the Tennessee Coal & Iron Co. to the Steel Corporation in return for $1,200,000 of the second-mortgage bonds, under an agreement, as given in this testimony, that if they were not returned by April 23, 1908, six months later, the ownership of the $2,000,000 par value of Tennessee Coal & Iron Co. stock should be and remain in the United States Steel Corporation. That took place on the 23d of October. Will you tell the committee your recollection of the nature of that transaction?

Mr. HANNA. I had nothing to do with the transaction, and know nothing of it.

Mr. GARDNER. You know nothing of it?

Mr. HANNA. I know nothing of it.

Mr. GARDNER. It was nothing that had to do with the syndicate stock?

Mr. HANNA. No, sir.

Mr. GARDNER. Would you have known about it if it had been?

Mr. HANNA. I should have known it.

Mr. GARDNER. You mean you ought to have known it?

Mr. HANNA. Yes; I ought to have known it.

Mr. GARDNER. You would not necessarily have known about it?

Mr. HANNA. No, sir. There was free stock enough to have accomplished that transaction without the syndicate stock being used.

Mr. YOUNG. Could Mr. Schley have used this stock of the syndicate for this purpose without your knowledge?

Mr. HANNA. I would not think so. I never supposed he had used or done anything in connection with it.

Mr. YOUNG. I am not asking you what you think he would do, but did he have the power or did he have possession of the stock so he might have done that?

Mr. HANNA. As I say, I have not seen the syndicate agreement until, this morning, a copy of it was put in my hands, for four or five years. I should not want at this time to undertake to answer a question definitely on a detail of that sort.

Mr. YOUNG. I am not asking, Mr. Hanna, what he had the right to do under the syndicate agreement, but whether, having possession of the stock, he had the power to do this thing without your knowing anything about it?

Mr. HANNA. Oh, yes. The stock, or at least a certain amount of the stock, was under his direction.

Mr. STERLING. He had the physical power; but did he have the right?

Mr. HANNA. Not, as I recall the syndicate agreement, without consultation with his associates.

Mr. STERLING. That is, he had no legal right, so far as you recall the syndicate agreement?

Mr. HANNA. So far as I recall it; no.

Mr. BARTLETT. As I understand, Mr. Hanna, this $2,000,000 worth of stock of the Tennessee Coal & Iron Co., which Mr. Schley let the United States Steel Corporation have, was not on a loan, but in exchange for bonds of the United States Steel Corporation, which bonds at that time were selling at about 70, and the Tennessee Coal & Iron Co.'s stock was, whenever quoted, quoted higher?

Mr. HANNA. On the figures just read it would be only 60 for the Tennessee stock. But I have no knowledge of that transaction what-

ever. It was prior to the time I knew that there was any difficulty with the firm in question.

Mr. GARDNER. My impression is that the second mortgage bonds, as shown by the testimony, were selling upward of 80.

Mr. BARTLETT. I think I said about 75.

Mr. HANNA. On the day that the transaction was completed the United States Steel bonds were selling at 84.

Mr. STERLING. That was in the midst of the panic?

Mr. HANNA. Yes, sir. They broke to 80 a few days later, but it was the pressure of a very large amount of those bonds coming on the market, I suppose, under the panic conditions that existed at that time. They very soon recovered, however, up into 86 or 87 or 88 or 89.

The CHAIRMAN. Do you know what amount of those bonds, at the time they were low as you have stated, were purchased by the United States Steel Corporation itself?

Mr. HANNA. I have not knowledge whatever on that subject.

Mr. GARDNER. I think that is shown in their annual report for 1907.

Mr. DANFORTH. Mr. Chairman, I have one or two questions I want to ask at this time.

The CHAIRMAN. You may proceed.

Mr. DANFORTH. How much free stock was there, Mr. Hanna, outside of what was held by the syndicate members?

Mr. HANNA. Upon that I have no definite knowledge. I kept no track of it at all, and had no reason to keep any track of it.

Mr. DANFORTH. How many shares of free stock were sold prior to the existence of the syndicate, if you know?

Mr. HANNA. I could not say. I never kept any account of it.

Mr. DANFORTH. You would say it was purely nominal?

Mr. HANNA. I would say it was purely nominal and insignificant.

Mr. DANFORTH. And your syndicate, including the free stock or shares of the members of the syndicate owned by them, had about two-thirds or more of the outstanding stock?

Mr. HANNA. I think a little less than two-thirds. I do not speak definitely as to figures. I am only speaking roughly.

Mr. DANFORTH. After you issued——

Mr. HANNA (interposing). That is, after we had issued $7,000,000 of new stock.

Mr. DANFORTH. Then you had two-thirds or more, approximately?

Mr. HANNA. Approximately two-thirds, yes, sir; and a much larger percentage than was covered in the original syndicate when the control was purchased.

Mr. DANFORTH. I understood you to say that the 118,300 shares of the original holding of the syndicate were purchased at 110.

Mr. HANNA. Eighty-two thousand shares of it were purchased in a block at 110, and the balance was bought the next day on the open market, and I think averaged a little less than 110.

Mr. DANFORTH. How large was that block, if you remember?

Mr. HANNA. The difference between 82,000 and 118,500.

Mr. DANFORTH. All the rest?

Mr. HANNA. Yes.

Mr. GARDNER. Of the original holdings?

Mr. DANFORTH. Yes. Then they cost how much, Mr. Hanna?

Mr. HANNA. Between 106 and 110, is my recollection of the cost of the stock to constitute the control.

Mr. DANFORTH. In regard to your transportation by water, did I understand you to say you had navigable water from your rolling mill to the Gulf?

Mr. HANNA. No, sir. I said that with the completion of the slack water navigation of Great Warrior River, the Tennessee would have, by building a piece of railroad from Ensley over to the Great Warrior River, water navigation all the way to the Gulf.

Mr. DANFORTH. You did not have it at the time you were operating it?

Mr. HANNA. No, sir; the improvement is still going on. I think it is to be completed within a year or so.

Mr. STERLING. Governmental work?

Mr. HANNA. Yes, sir.

Mr. DANFORTH. Your market for rails was limited to the distance you could send rails by railroad?

Mr. HANNA. During our operation; yes, sir.

Mr. DANFORTH. You could not compete with the northern market?

Mr. HANNA. We had no water navigation. Our only means of shipment was all rail to whatever point we wanted to ship to.

Mr. DANFORTH. Did you sell rails at the mill or agree to deliver them?

Mr. HANNA. At the mills wholly.

Mr. DANFORTH. Then the price of transportation had to be figured by the purchaser.

Mr. HANNA. That was arranged by the purchaser of the rail. In most or in a large percentage of our sales, they went out over the rails of the companies purchasing them. It was the systems of railroads that centered in Birmingham that were our best customers.

Mr. DANFORTH. And the rails were to be used by them?

Mr. HANNA. Yes, sir; like the Louisville & Nashville and the Southern and the Seaboard and the Georgia Central.

Mr. DANFORTH. Where was this Harriman order to go, do you know?

Mr. HANNA. To the Southern Pacific—that is, the Harriman system, the Southern Pacific and Union Pacific Railroads.

Mr. DANFORTH. Then, on that order, he would have to pay the freight?

Mr. HANNA. Oh, yes.

Mr. DANFORTH. Was any portion of that order delivered while the syndicate was in control of the Tennessee corporation? Had any of those rails been rolled?

Mr. HANNA. No; we did not roll any of them.

Mr. DANFORTH. You did not?

Mr. HANNA. We did not deliver any rails on the Harriman order at the time of the transfer, as I recall it.

Mr. DANFORTH. Have you any recollection of what your net earnings were during the control by the syndicate?

Mr. HANNA. No, sir. I from memory could not tell. That could be furnished, I suppose. I suppose the books, however, are in the possession of the purchaser of the property now. I do not recall what they were. They were in excess of 4 per cent on the stock, I know. Dividends were declared out of money actually earned, but I do not recall the exact figures.

Mr. GARDNER. As a matter of fact, you paid 4 per cent dividends from the time you took the property?

Mr. HANNA. They were paying 4 per cent when we purchased the property, is my recollection, and conditions of business during the time we owned it justified our continuing at that rate.

Mr. DANFORTH. What was the capacity of your rail mill or mills at the time you purchased this property?

Mr. HANNA. It is a pretty hard question to answer, as we never knew when we would break down or how long we would stay broken down. It was impossible to measure the capacity, because there was no way of anticipating what the country would produce.

Mr. DANFORTH. Were you making rails regularly?

Mr. HANNA. Yes, sir.

Mr. DANFORTH. Subject to break down?

Mr. HANNA. We made a great many rails. I think the year we turned the property over we made 160,000 or 170,000 tons of rails, as I recall.

Mr. DANFORTH. During that year?

Mr. HANNA. Yes; during that year. I do not remember; that may be high.

Mr. DANFORTH. How many tons did you make the year you bought?

Mr. HANNA. Approximately the same, as I recall it now. We operated probably two years.

Mr. DANFORTH. I think that is all, Mr. Chairman.

Mr. BARTLETT. Mr. Hanna, the whole amount of stock which this Tennessee Coal, Iron & Railroad Co. was represented by was a little over some $30,000,000, was it not?

Mr. HANNA. At the time the property was turned over to the corporation?

Mr. BARTLETT. At the time the syndicate was formed.

Mr. HANNA. The capital stock of the Tennessee Coal, Iron & Railroad Co., as I recall, was $22,300,000.

Mr. BARTLETT. But you had issued $7,000,000?

Mr. HANNA. We had already issued approximately $7,000,000. I do not remember the exact figures, and we would have issued, if we had continued in possession of the property, $3,750,000 more upon the money all being paid in, which was being done in installments running into the succeeding year.

Mr. BARTLETT. $10,750,000 additional stock you would have issued?

Mr. HANNA. That is my recollection of the amount in the stock we had arranged for and were issuing at the time.

Mr. BARTLETT. At the time the syndicate was formed, or at the time of the sale to the United States Steel Corporation, the stock approximately was $30,000,000, was it not?

Mr. HANNA. Twenty-nine millions and some odd hundred thousands issued.

Mr. BARTLETT. And the sale being made of that stock, except how much?

Mr. HANNA. That I never knew; approximately all of it, I think, except a very few shares that perhaps never came in.

Mr. BARTLETT. You considered the property of the Tennessee Coal & Iron Co. at that time worth the value of its stock at par, did you not?

Mr. HANNA. Yes, sir; I did. Looking to the future possibilities of the property, that was my judgment.

Mr. BARTLETT. What did the property cost the Steel Co.?

Mr. HANNA. It cost them bonds at par, as against $119 per share for Tennessee stock.

Mr. BARTLETT. In round numbers, how much would that be?

Mr. HANNA. I do not know; I am not very quick at figures in my head.

Mr. BARTLETT. Do you not consider that the property purchased by the Steel Corporation through that arrangement was worth what they paid for it at the time?

Mr. HANNA. You say at the time? It is pretty hard to tell what values were at the time of this transaction. I think very much could be said upon that question.

Mr. BARTLETT. I will leave out "at the time." Was not the property worth the price paid for it?

Mr. HANNA. Yes; it was commercially worth it. As to whether it was worth it under the conditions that existed at that particular time, you might get up quite an argument.

Mr. BARTLETT. It was commercially worth the price.

Mr. HANNA. I think so, sir.

Mr. BARTLETT. And as a business proposition, and with a view of investment for the future, it was well worth the price, was it not?

Mr. HANNA. Looking to the future, it was my judgment or I should not have gone into the property.

Mr. BARTLETT. Were you present at any of the interviews or conferences or conversations had in Mr. Morgan's library prior to the purchase of this stock by the Tennessee Coal & Iron Co.?

Mr. HANNA. Beginning with Monday morning I was present at all of them—that is, the conferences between the two interests, I assume you mean?

Mr. BARTLETT. Yes; that is what I mean. Was that prior to or after Judge Gary had visited Washington?

Mr. HANNA. After. My recollection is that Judge Gary was in Washington on Sunday and returned to New York on Monday afternoon.

Mr. BARTLETT. There is no question about that, I believe.

Mr. HANNA. There had been one or two conferences, informal in character, prior to my return to New York, however.

Mr. BARTLETT. You returned on Monday?

Mr. HANNA. Monday morning I got here.

Mr. BARTLETT. Did I understand you to say that is the morning after Judge Gary had been to Washington?

Mr. HANNA. Judge Gary returned the afternoon of the same day I reached here.

Mr. BARTLETT. And the interview or meeting at Mr. Morgan's library was the result of Judge Gary's return from Washington?

Mr. HANNA. I suppose that is what made the interview possible.

Mr. GARDNER. Is that Mr. Morgan's library?

Mr. HANNA. Yes, sir.

Mr. BARTLETT. I mean Mr. J. Pierpont Morgan?

Mr. HANNA. I assumed you meant that gentleman.

Mr. BARTLETT. Probably the only Morgan we hear much about. He was present at that interview? That was your first interview, was it not?

Mr. HANNA. The first interview I came into was Monday afternoon, at Mr. Morgan's library.

Mr. BARTLETT. Who were present there, if you can tell us?

Mr. HANNA. At the interview I had, Judge Gary and Mr. Frick, representing the Steel Corporation, and Mr. Schley and myself, and Mr. L. C. Ledyard as counsel for the Tennessee interests.

Mr. BARTLETT. Counsel for the Tennessee Iron & Coal Co.?

Mr. HANNA. Counsel for the syndicate managers.

Mr. BARTLETT. You did not know, up to that morning, of the interviews, of any intention on the part of the Steel Co. to purchase this stock?

Mr. HANNA. I knew it Sunday morning by a long-distance phone from New York.

Mr. BARTLETT. From whom?

Mr. HANNA. From Mr. Schley.

Mr. BARTLETT. Did you know prior to your meeting on Monday morning at Mr. Morgan's library that Judge Gary and Mr. Frick had gone to Washington?

Mr. HANNA. No, sir.

Mr. BARTLETT. When did you first learn of the fact they had been?

Mr. HANNA. Monday. I do not recall the part of the day, but about noon, I think.

Mr. BARTLETT. After Judge Gary got back?

Mr. HANNA. No; he did not get back until the latter part of the afternoon. I remember that very well, as I cooled my heels for several hours waiting for the gentleman to return.

Mr. BARTLETT. You were awaiting Judge Gary's return from Washington?

Mr. HANNA. I did not know it at the time. It so proved afterwards.

Mr. BARTLETT. You did not know what purpose you had gathered for?

Mr. HANNA. I did not know the cause of the delay. We were invited to appear at Mr. Morgan's library at a fixed hour and were there a couple of hours before we had our conference.

Mr. BARTLETT. With no information as to the reason why you were invited there?

Mr. HANNA. The reason was a further conference about the sale of this stock to the corporation. I knew nothing until that afternoon about the fact that Judge Gary had gone to Washington.

Mr. BARTLETT. How long did you remain there waiting for Judge Gary?

Mr. HANNA. I think we reported there between 2 and 3 o'clock, and I think it was somewhere between 4 and 5 o'clock, or possibly 5 o'clock, when we went into conference.

Mr. BARTLETT. You went into conference immediately upon Judge Gary's return?

Mr. HANNA. No, sir. I think there was a meeting of the finance committee of the corporation before we had our conference with Judge Gary.

Mr. BARTLETT. At the same place?

Mr. HANNA. I assume so.

Mr. BARTLETT. At Mr. Morgan's library?

Mr. HANNA. Yes, sir.

Mr. BARTLETT. Judge Gary came immediately from the train from Washington to Mr. Morgan's library, did he not?

Mr. HANNA. I do not know.

Mr. BARTLETT. You do not know that?

Mr. HANNA. No, sir.

Mr. BARTLETT. Did not you have that information?

Mr. HANNA. No, sir.

Mr. BARTLETT. What information did you get from Judge Gary or Mr. Morgan that induced you to sell the stock? What information did Judge Gary bring?

Mr. HANNA. I did not get any information from them concerning the sale of the stock. They were purchasers of the stock. They gave no reasons at any conference at which I was present.

Mr. BARTLETT. When you learned Judge Gary had been to Washington, did you learn why he had been to Washington?

Mr. HANNA. No, sir; I asked no questions and got no information.

Mr. BARTLETT. You just went there and waited until Judge Gary returned and until the Steel Corporation finance committee held a meeting in Mr. Morgan's library, and then determined to sell your stock? Is that it?

Mr. HANNA. Yes, sir.

Mr. BARTLETT. Without any reason being given to you why you should?

Mr. HANNA. That was all understood before that—before we went to Mr. Morgan's library—why we should sell the stock.

Mr. BARTLETT. Why should you go to Mr. Morgan's library to see him if you wished to sell the stock?

Mr. HANNA. We did not see Mr. Morgan at all at any of the conferences.

Mr. BARTLETT. Was he not present?

Mr. HANNA. No, sir; not at any conference at which I was present.

Mr. BARTLETT. He was not present in the library at all?

Mr. HANNA. I suppose he was in the building, but not in the room in which I was placed.

Mr. BARTLETT. Not visible to you?

Mr. HANNA. No, sir.

Mr. BARTLETT. There was no reason given why you should go to Mr. Morgan's house for the transaction of this business?

Mr. HANNA. There was the reason that all conferences being held by the different financial interests of New York were being held at Mr. Morgan's house for a series of days in other matters besides the fact of our being invited there to confer with the corporation people.

Mr. BARTLETT. When did you make up your mind that you would sell this syndicate stock?

Mr. HANNA. You mean my individual mind?

Mr. BARTLETT. Yes.

Mr. HANNA. After I reached New York Monday morning I decided upon it—that it was the only thing to be done—and agreed to it.

Mr. BARTLETT. Did you represent other people in this syndicate?

Mr. HANNA. I was the syndicate manager—one of the syndicate managers.

Mr. BARTLETT. And you had no information as to the result of Judge Gary's trip to Washington or why it was made, nor as to the result of that trip?

Mr. HANNA. Not at that time.

Mr. BARTLETT. It was not discussed at all in your interview?

Mr. HANNA. No, sir.

Mr. BEALL. Did he tell you he had been to Washington?

Mr. HANNA. No, sir.

Mr. BARTLETT. Have you stated the amount of bonds of the Tennessee Coal, Iron & Railroad Co. that had been issued when you got charge of the stock?

Mr. HANNA. I do not recall the amount. It is very easily ascertainable, if you will look into the Steel Corporation's report of last year; you will find the issue there. It was somewhere between $13,000,000 and $15,000,000, as I recall; but it is so long since I have had any occasion to know that I could not answer the question definitely.

Mr. MCGILLICUDDY. I have a question or two, Mr. Chairman?

The CHAIRMAN. Proceed.

Mr. MCGILLICUDDY. Mr. Hanna, your syndicate obtained control of this company in 1905, as I understand it?

Mr. HANNA. The original purchase of the control was made in the fall of 1905.

Mr. MCGILLICUDDY. And you held it until 1907, when it passed to the United States Steel Corporation?

Mr. HANNA. Yes, sir.

Mr. MCGILLICUDDY. You have stated that at that time the amount of iron ore in this country had become pretty well defined, so that you people in that business knew about the amount of it in the country?

Mr. HANNA. I said that ore—I think in my statement I said ore which was available to the market. There is a good deal of iron that nobody knows about.

Mr. MCGILLICUDDY. That the available ore had become pretty well defined at that time?

Mr. HANNA. Yes, sir.

Mr. MCGILLICUDDY. The real value to the Tennessee Coal & Iron Co. was in the ore under the ground and not the improvements on the surface?

Mr. HANNA. In my judgment, yes; the ore and the coal——

Mr. MCGILLICUDDY. Yes; the minerals.

Mr. HANNA. And the limestone.

Mr. MCGILLICUDDY. Is it not true that control of the lake ores, and, in addition thereto, the control of the ores of the Tennessee Coal & Iron Co., combined in one company, would give the practical monopoly of the iron ore in this country?

Mr. HANNA. Not in my judgment.

Mr. MCGILLICUDDY. Not in your judgment?

Mr. HANNA. No, sir.

Mr. MCGILLICUDDY. Has there been any independent companies organized since to go into competition with the United States Steel Co.?

Mr. HANNA. Steel companies you mean?

Mr. McGILLICUDDY. Yes.

Mr. YOUNG. Since when?

Mr. McGILLICUDDY. Since the organization of the Steel Co.

Mr. HANNA. I think several.

Mr. McGILLICUDDY. How many?

Mr. HANNA. I think two or three of some importance.

Mr. YOUNG. The Lackawanna?

Mr. HANNA. No, sir; that is a very old company which simply transferred its plant from Scranton to Buffalo.

Mr. McGILLICUDDY. Can you think of any company that has been organized since?

Mr. HANNA. My impression is the Inland Steel Co., of Chicago, was born since that time. I am not sure, but I think the Youngstown Sheet & Tool Co., of Youngstown, Ohio.

Mr. McGILLICUDDY. Is that all you know of?

Mr. HANNA. Of any importance. There are, of course, many small ones—a dozen small plants. There is one new plant just completed—a complete steel plant—in Cleveland, Ohio.

Mr. McGILLICUDDY. Those are small matters?

Mr. HANNA. They are not what I call important; certainly not in comparison with the principal steel interests of our country to-day.

Mr. McGILLICUDDY. That is all, Mr. Chairman.

Mr. GARDNER. A few questions, Mr. Chairman?

The CHAIRMAN. Certainly.

Mr. GARDNER. Were either of those companies you have just mentioned organized since November, 1907?

Mr. HANNA. No, sir; I think not.

Mr. GARDNER. There has been no important steel company organized since the absorption of the Tennessee Coal & Iron Co.?

Mr. HANNA. No, sir.

Mr. GARDNER. I want to ask a few questions not directly bearing on this absorption first, but bearing on the ore situation, from two points of view. In the first place, to find out to what extent the ore lands of this country are controlled by one corporation, or a few; secondarily, to find out the value of the ore in the ground, because the value of the ore in the ground, both at the present time and in 1901, affects largely the question of the capitalization of the United States Steel Corporation. Do you follow me?

Mr. HANNA. I do.

Mr. GARDNER. Also it affects the question of the accuracy of the cost sheets as to the cost of producing steel rails. That is to say, if ore is worth a certain amount per ton in the ground, the depreciation is greater than if it is worth a less amount; so that for the purpose of getting at the question as to whether these cost sheets are founded on sound principles, and as to the question of whether the capitalization of the United States Steel Corporation contains water, and as to the question of to what extent the ore lands of this country are controlled by that corporation and other large steel corporations, I wish to ask a few questions.

Have you Lake Superior ore lands for sale?

Mr. HANNA. Are you talking to me individually?

Mr. GARDNER. M. A. Hanna & Co.

Mr. HANNA. I am not a member of the firm of M. A. Hanna & Co. to-day and have not been for five years.

Mr. GARDNER. Have you knowledge of the affairs of that concern sufficient to answer general questions?

Mr. HANNA. In a very general way, yes; but not in a specific way.

Mr. GARDNER. Have they Lake Superior ore lands for sale?

Mr. HANNA. I think they have Lake Superior ore mines for sale.

Mr. GARDNER. That is, mines partially or wholly developed?

Mr. HANNA. I would say wholly developed.

Mr. GARDNER. Are those large mines?

Mr. HANNA. I think one property might be called an important property.

Mr. GARDNER. Conveniently situated with regard to transportation?

Mr. HANNA. Located in the Minnesota field, which is the largest producer in our country.

Mr. GARDNER. You could not give the tonnage of that mine?

Mr. HANNA. No; I am not familiar enough with the details of their business to answer questions of that kind.

Mr. GARDNER. You are familiar with the iron ores of Lake Superior and a tabulation with reference thereto, which is compiled by Crowell & Murray?

Mr. HANNA. Yes.

Mr. GARDNER. Is that substantially reliable?

Mr. HANNA. I suppose as reliable as any authority on the subject.

Mr. GARDNER. I find the firm of M. A. Hanna & Co., in 1909, produced 2,000,000 tons of iron ore. Could you give me an idea what they sold it for?

Mr. HANNA. In that 2,000,000 tons of ore there are probably 20 different varieties of ore, and probably 10 to 15 different prices, which are controlled by the character of the ore, both as regards——

Mr. GARDNER (interposing). What would be the lowest and highest prices?

Mr. HANNA. I am not sufficiently familiar with the details of ore prices to answer that question.

Mr. GARDNER. What did you sell the ore at which you yourself produced in 1909?

Mr. HANNA. Individually, I did not produce any ore in 1909.

Mr. GARDNER. Did you not say you were interested in merchant mines?

Mr. HANNA. I am a stockholder, but have nothing to do with the management or operation or sales agencies of the property. I am simply a stockholder.

Mr. GARDNER. You could not give us any figures on that?

Mr. HANNA. No.

Mr. GARDNER. Taking the ore lands of Lake Superior of the Lake Superior region, such as are owned by the United States Steel Corporation, what would you estimate to be the value of a ton of ore?

Mr. YOUNG. In the ground?

Mr. GARDNER. Yes; in the ground.

Mr. HANNA. I would estimate the value of it to be—I assume you mean to-day?

Mr. GARDNER. Yes.

Mr. HANNA. Just what the other chap would pay for it. That would depend very much upon the character of that ore. It might vary 1 or 50 per cent from another ore in its value in the ground.

Mr. GARDNER. You are familiar with the leases in that region, are you not, and the royalties paid?

Mr. HANNA. Yes, sir; fairly so.

Mr. GARDNER. Can you give any estimate based on that knowledge of those royalties?

Mr. HANNA. From my knowledge, there are ore leases still in effect in the Lake Superior region that, under a certain production or tonnage per year, run as low as 10 cents per ton.

Mr. GARDNER. New leases, I am speaking of.

Mr. HANNA. It depends there again upon the quality of the ore.

Mr. GARDNER. Can you give some idea as to the outside figures?

Mr. HANNA. If you will allow me to go into a little explanation as to what I mean by the character of the ore. For instance, take the Bessemer ore: If it runs 60 per cent metallic content and 0.021 in phosphorus, it would be worth a great deal more money than an ore that would run 60 per cent in metallic content and 1 per cent of phosphorus.

Mr. GARDNER. What would ores be worth or sell for whose metallic contents were 55 per cent.

Mr. HANNA. In the ground to-day?

Mr. GARDNER. In the ground to-day.

Mr. HANNA. It would be pretty difficult to answer under conditions existing just at this time.

Mr. GARDNER. If you had to make a lease——

Mr. HANNA (interposing). That depends upon whether you mean 50 per cent metallic dry or natural condition.

Mr. GARDNER. I could not tell as to that. How much would they vary in price?

Mr. HANNA. For illustration, dry 212 Fahrenheit, it means one thing in value. That ore may carry a 10 per cent moisture. If you deduct 10 per cent of the 55 per cent in iron, your have 5½ units of moisture to deduct from 55, which gives you in your furnaces 49.5 yield only.

Mr. GARDNER. Take it in the case of 55 per cent metallic content, in the case you first mentioned, which I do not follow. What would that sell for?

Mr. HANNA. In the ground to-day?

Mr. GARDNER. And in a new lease.

Mr. HANNA. I do not know that I could answer what that property would sell for to-day.

Mr. GARDNER. You do not know what price leases are made at to-day?

Mr. HANNA. I know what prices leases have been made at.

Mr. GARDNER. In the year of grace 1911?

Mr. HANNA. I know there were leases made as high as 75 and 80 cents a ton in the ground in 1910. I do not know of any in 1911.

Mr. GARDNER. Should you consider that an excessively high price?

Mr. HANNA. I would under conditions existing in the iron and steel business just at this time; yes.

Mr. GARDNER. Take all these old leases of which you spoke that have not yet expired—when were they made?

Mr. HANNA. Some of them 15 or 18 or 20 years ago or more.

Mr. GARDNER. Taking the average lease made 10 years ago for mining ore with 55 per cent metallic contents.

Mr. HANNA. Ten years ago?

Mr. GARDNER. Yes.

Mr. HANNA. Probably 50 per cent cheaper than the same ore would sell for in the ground to-day.

Mr. GARDNER. That is to say, it would be 50 cents——

Mr. HANNA (interposing). If it was worth 50 cents then it would be worth, relatively, a dollar to-day, or if 25 cents then, it would be worth 50 cents to-day.

Mr. GARDNER. What were they worth then, as you remember, at that time?

Mr. HANNA. I do not know that I can recall exactly, 10 years ago, just what specific leases were made for.

Mr. GARDNER. Would it be from 25 to 35?

Mr. HANNA. For 55 per cent ore it would run more than 25.

Mr. GARDNER. Would it be less than 35?

Mr. HANNA. I really think it would.

Mr. GARDNER. Would it be less than 40?

Mr. HANNA. I can not answer that definitely; I do not recall.

Mr. GARDNER. You can not remember?

Mr. HANNA. No; I can not remember. I have no specific case in mind.

Mr. GARDNER. Would it be less than 50? Can you remember that?

Mr. HANNA. Ten years ago?

Mr. GARDNER. Yes.

Mr. HANNA. I would say it averaged just less than 50.

Mr. GARDNER. I see that in 1902 the Steel Corporation, in a statement showing that their actual property equaled their capitalization, valued their ore lands in the Lake Superior region at $1 per ton in the ground. That was at the time I speak of—10 years ago. In other words, it is your opinion that that was 100 per cent too high valuation at least?

Mr. HANNA. The Steel Corporation owned a very large tonnage of ore, very much higher grade than the grade you are discussing.

Mr. GARDNER. But I take the average statement of Mr. Young, of Michigan, who is very familiar with the metallic question. At all events, does that seem to you like a very high valuation in 1902?

Mr. HANNA. I should say 10 years ago $1 a ton was full high.

Mr. GARDNER. You would not put it stronger than that?

Mr. HANNA. I think that is expressive.

Mr. GARDNER. The Commissioner of Corporations makes this statement, speaking of the Hill lease:

> The royalties, however, on all new leases, other than the Hill lease, which the Steel Corporation has made, from the beginning of 1907 to the present time, apparently will not average over 40 cents per ton.

Does that statement surprise you, or does it seem to you about accurate?

Mr. HANNA. Yes, sir; in standard grades of ore it would surprise me.

Mr. GARDNER. That is, you think the Steel Corporation have made their leases very cheap or very dear?

Mr. HANNA. Very cheap at 40 cents a ton.

Mr. GARDNER. From the beginning of 1907 to the present time?

Mr. HANNA. Yes, sir.

Mr. GARDNER. But at the time this statement of the Steel Corporation was made in 1902 in a court proceeding, should you have said that 40 cents a ton was about the fair valuation for their 700,000,000 tons of ore in the ground?

Mr. HANNA. I would say it was low at that particular time.

Mr. GARDNER. In 1902 it was low?

Mr. HANNA. For the character and average quality of ore they owned at that time that you name.

Mr. GARDNER. You yourself have no ore lands for sale?

Mr. HANNA. No, sir; I wish I had.

Mr. GARDNER. With regard to this Tennessee Coal & Iron Co. matter, it is also very important for us to get at some idea, if we can, amidst the conflicting mass of testimony, as to what the value of these ore lands is, because it materially affects the question as to the extent of the domination of the United States Steel Corporation over the steel business of this country.

You said that this examining board of mining engineers made estimates. You rather put an inflection on the word "estimates." In the first place, why did these mining engineers make estimates at all?

Mr. HANNA. Because I do not think in the length of time they were upon the work or the amount of money that was expended it was within the bounds of possibilities to have drilled all that territory which they would have had to do to make an exact statement as to the tonnage.

Mr. GARDNER. I want to get at first how did it happen that the mining engineers were employed to do anything of the sort?

Mr. HANNA. That was before my day, and I know nothing about it.

Mr. GARDNER. You do not know that other people or you have never heard that other people had in contemplation getting up a steel combination, of which the Tennessee Coal & Iron Co.——

Mr. HANNA (interposing). I had no knowledge of it.

Mr. GARDNER. Other than an indication that that was the fact in the report of the Commissioner of Corporations you knew nothing about it? You do not know why these mining engineers were employed?

Mr. HANNA. No, sir; it was only from hearsay that I knew of this report.

Mr. GARDNER. Did you ever examine their estimates?

Mr. HANNA. I saw them and read them.

Mr. GARDNER. Do you think they were too high or low?

Mr. HANNA. That is a question I am not capable of answering.

Mr. GARDNER. Do you think they were all guesswork?

Mr. HANNA. No; I do not think they were all guesswork. There is a very large amount of mineral in the Alabama district that has been developed and very thoroughly drilled that they would not estimate at all. Their figures there would be exact. There is an enormous amount of mineral that has never been developed that would have to be very carefully drilled for anyone to make even an intelligent estimate as to the contents.

Mr. GARDNER. Did you consider their estimates valueless?

Mr. HANNA. No, sir; I did not consider them valueless.

Mr. GARDNER. You thought they were of some value?

Mr. HANNA. I did.

Mr. GARDNER. But not conclusive?

Mr. HANNA. I did not think them exact.

Mr. GARDNER. I think you said your syndicate bought at the first movement you made 80,000 shares in one block.

Mr. HANNA. Eighty-two thousand is my recollection of it.

Mr. GARDNER. Were the people from whom you bought that stock in financial difficulties?

Mr. HANNA. No, sir.

Mr. GARDNER. What price did you pay?

Mr. HANNA. $110 per share.

Mr. GARDNER. And, in other words, in the opinion of the sellers and the purchasers, neither of them being in any way constrained by financial reasons, that property was worth at that time $110 a share?

Mr. HANNA. We felt it could be made worth that by future development. As a going proposition—no, sir—it was not worth that.

Mr. GARDNER. I understand that the value, as you have already testified, was more especially in the minerals in the ground rather than the value of the plant above the ground.

The Chairman, Mr. Stanley, asked you a number of questions with regard to the cost of assembling the ore and the coke and the coking coal, and whatever is necessary to flux the ores, and you said that the metallic contents of these ores were so low that it took 3 tons of ore to make 1 ton of pig iron.

Mr. HANNA. Of steel, I said. That is approximately it. It varied some.

Mr. GARDNER. Mr. Stanley, the chairman, then led on to ask some questions about the cost of transportation in assembling ores from the Lake Superior region, with whatever is necessary in order to convert them into steel. In your opinion does the greater cost of assemblage of the Lake Superior ores offset the lower metallic contents of the southern ores?

Mr. HANNA. Yes; I should think it did.

The CHAIRMAN. Gentlemen, it is 1 o'clock, and the committee will take a recess at this time until 2 o'clock, at which time the examination of Mr. Hanna by Mr. Gardner will be resumed.

(Thereupon, at 1 o'clock p. m., the committee took a recess until 2 o'clock p. m.)

AFTER RECESS.

At the expiration of the recess the committee resumed its session.

STATEMENT OF L. C. HANNA—Continued.

The CHAIRMAN. Mr. Gardner, you may proceed.

Mr. GARDNER. Mr. Hanna, returning to the question of the value of ore lands owned by the Tennessee Coal & Iron Co., you stated this morning that, in your opinion, there was no advantage in the fact that the ore contained more fluxing material than did the Lake Superior ores?

Mr. HANNA. I did not say that there was no advantage in ore containing more fluxing material. I do not think I answered that question on that point in just that way.

Mr. GARDNER. Perhaps, we both mean the same thing, what did you say?

Mr. HANNA. As I said as between the ores of the two districts on the average I did not think that there was any very material difference, and that I did not think, except in a very few cases, that any ore carried enough of fluxing material in its composition to be of any material advantage.

Mr. GARDNER. Then, in discussing the relative values of the two ores, we can safely leave out the collateral question of whether they did or did not contain a greater or less amount of fluxing material?

Mr. HANNA. As you are getting at the ultimate values, I think so; yes, sir.

Mr. GARDNER. That is what I want to get at. You and other witnesses have testified that the Lake Superior ores have a far greater percentage of metallic contents, and you have also testified, and other persons have, that the cost of assemblage of the Lake Superior ores was very much greater than the cost of assemblage of the southern ores. What I want to get at is whether the advantage that the Lake Superior ores have in value from the fact of their metallic contents is greater is offset by the value that the southern ores have because the cost of assemblage is less.

Mr. HANNA. I believe the advantage is in favor of the so-called Birmingham district of Alabama, but to get an intelligent idea of the situation you must go further than the ore.

Mr. GARDNER. I understand. That would rather be indicative of the fact that you can make a ton of pig iron cheaper in the Birmingham district than they can in the northern district?

Mr. HANNA. I so stated this morning.

Mr. GARDNER. Is that pig iron, when made, as valuable for purposes of making steel as a ton of northern pig iron when made?

Mr. HANNA. Yes, sir.

Mr. GARDNER. It is just as valuable?

Mr. HANNA. It is the same character of metal. Of course, you understand that the Lake Superior ores are better because the Bessemer pig iron must contain less than one-tenth of 1 per cent of phosphorus, and the so-called Bessemer pig iron, used in manufacturing open-hearth steel——

Mr. GARDNER. Which is an inferior grade?

Mr. HANNA. That is made from a cheaper grade of ore. Bessemer commands a better price. Then, there is no Bessemer pig iron produced in the South.

Mr. GARDNER. I understand.

Mr. HANNA. It is all open-hearth.

Mr. GARDNER. Due to the phosphorus?

Mr. HANNA. Yes, sir.

The CHAIRMAN. I would like to interject a question in that connection. What per cent of the so-called Lake Superior ores are non-Bessemer?

Mr. HANNA. I can not give you the exact per cent. I would answer that a very large percentage of the Lake Superior ores are non-Bessemer; very much more than half.

Mr. GARDNER. How does it affect the question, if it affects the question at all, the consideration as to whether there is a greater market for the northern pig iron than for the southern pig iron?

Mr. HANNA. The market for pig iron is largely in the North. The South, as yet, is not consuming, of course, anything like the amount of material that the northern market consumes.

Mr. GARDNER. Has experience shown that the products of those southern ores have been able to invade the northern markets, notwithstanding the cost of transportation?

Mr. HANNA. Not in finished products. In pig iron; yes, sir. Southern pig iron has been sold in the northern markets for many years past. It is an iron peculiarly well adapted for many purposes of foundrying.

Mr. GARDNER. Is it a fact or not that northern pig iron has been able to invade the southern market?

Mr. HANNA. No, sir.

Mr. GARDNER. Have northern finished products been able to invade the southern market?

Mr. HANNA. Yes, sir; they practically control, outside of the limited amount of finished material made in the South. It practically controls the southern markets.

Mr. GARDNER. Would we be far off in assuming that for purposes of manufacturing steel, considering the cost of assemblage and the metallic contents, a ton of usable ore in the Birmingham district was about as valuable as a ton or ore in the ground in the Lake Superior district?

Mr. HANNA. I think it will be very many years to come before the value per ton of ore will be the same in the South as in the North. In the first place, there is not the demand, and I question whether there will be; and I question whether the South will ever consume the amount of tonnage that the North does; and the demand has much to do with the value.

Mr. GARDNER. If they have a market for the pig iron in the North, would it not?

Mr. HANNA. Ore running, as the southern mixture does, 34, 35, and 36 per cent, as against 50, 51, and 52 per cent, never can reach the same value in the ground, except it be in the local market. I would state that it would be a very great many years before the southern ore would reach the same value as the northern ore.

Mr. GARDNER. In your opinion, if it is a sound valuation to estimate the Lake Superior ore holdings of the United States Steel Corporation at $1 a ton, assuming that basis is sound, at what price would you estimate the value of the ore in the Birmingham district in the ground?

Mr. HANNA. That is not an easy question to answer, for the reason that the conditions in the North, so far as the volume of business is concerned, are radically different from the conditions in the South. The law of supply and demand has a great deal to do with the regulation of value. The supply, with further development, is ample enough in the South, but the demand is not. I think that is largely responsible for the high value that Lake Superior ore has gone to on the royalty basis.

Mr. GARDNER. Taking one consideration with another, this committee has to really try to estimate some value for these southern ores. For instance, the figures which the United States Steel Corporation gives—I do not remember the valuation of their property—differ very largely from those given by Mr. Herbert Knox Smith;

and we, in making our report, have got, in our ignorance, to estimate as near as we can which of the two is right, or whether some third party who has said there was still less value to the ore lands would be right. That is the reason I ask these questions of you, to see whether you will not assist us in placing a value on the Birmingham ore lands.

Mr. HANNA. It is a very difficult proposition to answer that question to my own satisfaction.

Mr. GARDNER. The whole question of whether the United States Steel Corporation is making a reasonable profit is involved, because in calculating cost sheets you must calculate the fact that your supply of available ores is always being diminished and you can not renew it; and in calculating the true investment that the United States Steel Corporation made at the time it was organized in order to find out what percentage they are making on their original investment, it is absolutely necessary for this committee to put a value on the ore lands which were reckoned at just 50 per cent, or thereabouts, of the total value of the property at the time of the organization. That is, the United States Steel Corporation reckoned their ore lands at $700,000,000 out of a total valuation of $1,400,000,000. We should be very glad to have your expert opinion on that question of what the true value of these ore lands in the Birmingham district is?

Mr. HANNA. Well, the true value is what you can purchase property of that character for, and to the extent that mineral is available for purchase in the South. They probably would not be measured in the ground at one and a quarter a ton in royalty to the parties purchasing. That would, however, be in very limited quantities that it could now be purchased; that is, limited as compared with these large figures you are discussing in connection with the Steel Corporation at least.

Mr. GARDNER. That is to say, you mean it is impossible to estimate the value of ore lands when there are no ore lands for sale?

Mr. HANNA. I do not say that there are no ore lands for sale.

Mr. GARDNER. Are there ore lands for sale in the Birmingham district?

Mr. HANNA. I think there are ore lands in the South still for sale, but I do not believe in large quantities.

Mr. GARDNER. I see; but of the same quality?

Mr. HANNA. The same general quality.

Mr. GARDNER. What would you suppose the ore land that is still for sale could be bought for?

Mr. HANNA. For four or five years I have really had no reason to know about what values have obtained there in that district.

Mr. GARDNER. Do you think it could be bought for 25 cents per ton?

Mr. HANNA. Very easily; that would be my judgment.

Mr. GARDNER. Fifteen cents?

Mr. HANNA. Somewhere in the neighborhod of 15 cents. I do not know that, but going back to the time I was familiar with the situation down there, and in 1907 my connection ended, ore could be purchased on a royalty basis at 15 cents per ton—what they call standard Alabama ore.

Mr. GARDNER. To come directly to this question of the Tennessee Coal & Iron Co., the chairman asked you a question this morning couched in somewhat this language: "How soon after you received the

Harriman order for rails did you find yourself in trouble in Wall Street?" Let me ask you this question: Did you, in your mind, connect the Harriman order with your trouble in Wall Street?

Mr. HANNA. That never suggested itself to me.

Mr. GARDNER. Was it ever told to you by Mr. Schley or any of your associates?

Mr. HANNA. No, sir.

Mr. GARDNER. When did you first hear the suggestion made?

Mr. HANNA. I never heard the suggestion made that the Harriman order was responsible for the condition that afterwards occurred, if that is what you mean.

Mr. GARDNER. Who began the negotiations for the exchange of the Tennessee Coal & Iron Co.'s stock for cash or for bonds of the United States Steel Corporation; did the initiative come from your side or the other side?

Mr. HANNA. From our side.

Mr. GARDNER. I wish you would tell the committee the history of the beginning of those negotiations as you remember them. You testified that you went to Cleveland?

Mr. HANNA. I was not present during the first interview—or perhaps there may have been two or three, I do not remember—held in an informal way between Mr. Schley and his counsel and some member of the finance committee of the corporation, and so I can not repeat that in detail here. My active connection with the details began on the Monday morning following. I think there was a conference on the Friday previous, and, possibly, one on Saturday. I know there was a conference either on Friday or Saturday. I think I testified this morning pretty fully as to my connection from Monday morning to the completion of the deal. If you should ask me just what other information you desire on the subject, I could probably answer it better than to make a general statement.

Mr. GARDNER. For instance, Mr. Schley in his evidence before the Senate Committee on the Judiciary makes this statement:

> When it developed, everyone I talked to in connection with his holdings was willing, under the pressure that was brought upon all, to sell that stock at par, and when I went to Mr. Ledyard and asked him to make these negotiations, it began. Then Mr. Frick and Mr. Gary came to me in the course of it, and it developed so that in the following days it was known to the public.

Your recollection is that Mr. Schley went to Mr. Ledyard in the first place, and they went to the representatives of the Steel Corporation?

Mr. HANNA. My recollection is that the negotiations were opened by Mr. Schley and Mr. Ledyard with the United States Steel Corporation for the purchase of that stock.

Mr. GARDNER. Do you know Mr. Kessler?

Mr. HANNA. I have met the gentleman; yes, sir.

Mr. GARDNER. You stated this morning, and I think it was correct, that he had 10,000 shares—you said that he had some syndicate stock, and you thought in all about 10,000 shares of stock?

Mr. HANNA. My recollection is that Mr. Kessler had 10,300 shares of the original syndicate stock. The syndicate stock was increased as the capital stock of the company was increased. What Mr. Kessler had when the deal was made with the corporation, I do not know.

Mr. GARDNER. Who was carrying Mr. Kessler's stock?

Mr. HANNA. That I have no personal knowledge of, more than hearsay; I have no personal knowledge about the matter.

Mr. GARDNER. To what extent is hearsay evidence permissible, Mr. Chairman?

The CHAIRMAN. I think I should say that we are not moving along the lines that would direct a court of justice where some person is on trial in a criminal proceeding and the evidence is confined to the eyewitness or personal knowledge of the transaction, and any information gained in a common-sense and practical way that you were informed of would be perfectly proper.

Mr. HANNA. My understanding is that Mr. Kessler was doing business with several offices. I have no absolute knowledge about any of his banking connections.

Mr. GARDNER. Mr. Kessler is a wine merchant?

Mr. HANNA. That is his business.

Mr. GARDNER. It would not be supposed that he could carry 10,000 shares of any kind of stock without pledging it as collateral for some borrowing?

Mr. HANNA. I think you are decidedly off the mark on that statement.

Mr. GARDNER. You think he is a man of large financial resources?

Mr. HANNA. Mr. Kessler at the time this deal was made had the reputation of having a very large amount of property.

Mr. GARDNER. A very large amount of what?

Mr. HANNA. Of property.

Mr. GARDNER. Now, we have here two absolutely conflicting pieces of evidence. In the first place, Mr. John W. Gates—I will say as an introduction that the committee was endeavoring to find out whether the United States Steel Corporation had made efforts prior to the panic to obtain possession of the Tennessee Coal & Iron Co. Mr. Gates in discussing that matter says that Mr. Kessler reported to him an offer of $150 a share from Mr. Morgan, and that he did not think that was enough for the property. That is Mr. Gates's testimony—that Mr. Kessler, representing Mr. Morgan, reported an offer of $150 a share. On the other hand, here is the testimony of Judge Gary:

> Mr. Morgan sent for me and said that Mr. George Kessler, who, as you know, was a wine merchant, but who had purchased some of this stock outside of the Schley syndicate, as I will call it, had approached him, Mr. Morgan, with the statement that the stock of the Tennessee Coal & Iron Co. could be purchased at about 130, and asked me my opinion.

Did you ever hear of any discussion between Mr. Kessler and anybody in which it appeared that Mr. Kessler was trying to negotiate a sale of the Tennessee Coal & Iron Co. to the United States Steel Corporation?

Mr. HANNA. After the organization of this syndicate or before it?

Mr. GARDNER. After the organization of this syndicate.

Mr. HANNA. No, sir.

Mr. GARDNER. You can not throw any light on this conflicting tstimony as to whether Mr. Kessler went to Mr. Morgan saying that he could arrange the sale, and that the Tennessee Coal & Iron Co. could be acquired at $130, or whether, in fact, he went to Mr. Gates and said that Mr. Morgan would give $150 for it? You will see the necessary conflict?

Mr. HANNA. I see it.

Mr. GARDNER. You can throw no light on it?

Mr. HANNA. I have no knowledge of Mr. Kessler's negotiations, as you have related them, with Mr. Morgan et al.

Mr. GARDNER. Or with anybody else?

Mr. HANNA. Or with anybody else. Mr. Kessler had no authority to negotiate.

Mr. GARDNER. He did not come to you?

Mr. HANNA. It was never brought to me; no sir.

Mr. GARDNER. Mr. Lindabury says that he is of the impression that this transaction was sometime before your syndicate was formed?

Mr. HANNA. Of course, then, I would have no knowledge of what transpired. Mr. Kessler did own a very large block of Tennessee Coal & Iron stock prior to the syndicate organization, but what negotiations he had with Mr. Gates or Mr. Morgan, or anybody, I do not know.

Mr. GARDNER. You do not even know whether he had any?

Mr. HANNA. No, sir.

Mr. GARDNER. I think Mr. Lindabury is mistaken, because Mr. Gary stated that it was, I think, sometime in the early part of 1907, a year and a half after the organization.

Mr. HANNA. The syndicate was organized in November, 1905.

Mr. GARDNER. The evidence, as far as collected in all of these hearings and in the hearings before the Senate Committee on the Judiciary, shows that Moore & Schley were borrowing between $5,000,000 and $6,000,000 on the Tennessee Coal & Iron stock as collateral. It also appears that in the Trust Co. of North America somebody else, whose name has not appeared in the hearings, was borrowing about $425,000. Was it common report that Tennessee Coal & Iron stock was pledged all over the city outside of the stock pledged by Mr. Schley, either as agent or as an individual; was it generally supposed that there was much of this 100,000 shares of free stock pledged as collateral?

Mr. HANNA. To what extent the free stock was pledged as collateral I have no knowledge.

Mr. GARDNER. What was the supposition at the time?

Mr. HANNA. There was a report that there were several blocks of stock in other broker's hands. The stock in Moore & Schley's office, I assume, was pledged as other collateral on account of their customers for whom they were doing business, and it is probable that such part of the Tennessee Coal & Iron stock was in as general collateral.

Mr. BEALL. Was any of the syndicate stock supposed to be pledged?

Mr. HANNA. The syndicate?

Mr. BEALL. Yes, sir.

Mr. HANNA. That condition might be. If any member of the syndicate owed Moore & Schley on their purchase, as a matter of course Moore & Schley would have the privilege of using that customer's stock as collateral in borrowing money to carry the account. I assume there was considerable syndicate stock, probably. In order that the committee may know the exact conditions, I will say that there was a very large amount of this syndicate stock, I do not know

just what percentage, but I will say a majority of it that was in the hands of the individual members of the syndicate in their own boxes.

Mr. GARDNER. Mr. Hanna, there has been a report, I want to say, not circulating around, but floating around, that there was a deliberate attempt on the part of some persons who desired to acquire the Tennessee Coal & Iron stock to make by reports, or in other ways, and through bank officials to make calls on that stock imperative; that is to say, to make it imperative for those banks to call on the persons who had pledged that stock to substitute other collateral, and that this was done for the purpose of knocking down the price of Tennessee Coal & Iron stock so that it could be acquired by the United States Steel Corporation. In other words, that there was a deliberate drive made in that stock for the purpose of having it purchased by the United States Steel Corporation. Is that your opinion?

Mr. HANNA. Yes, sir.

Mr. GARDNER. Did you ever hear it suggested by Mr. Schley?

Mr. HANNA. I have heard suggestions to that effect.

Mr. GARDNER. For instance, whom have you heard?

Mr. HANNA. I can not recall.

Mr. GARDNER. Did you ever hear Mr. John W. Gates suggest it?

Mr. HANNA. I have talked with Mr. Gates, and discussed Tennessee Coal & Iron, and possibly he referred to this deal and perhaps several others. I can not recall by name just what they were.

Mr. GARDNER. You yourself put no confidence in that?

Mr. HANNA. I never felt that way myself; no, sir. I never could bring myself to believe that any body of men at such a time would resort to such means in order to acquire any property.

The CHAIRMAN. You have made no examination into the details of any hammering of this stock by methods that are not in the open, and you disbelieve that it was done, because you would not like to attribute such an atrocious offense as that was at that time to any man without positive knowledge that he was guilty?

Mr. HANNA. I have no such knowledge, and I never could reconcile that belief myself.

The CHAIRMAN. And you could not believe a man guilty?

Mr. HANNA. Under the conditions existing at that time.

Mr. GARDNER. I understood the witness to say that he did not think any man would be foolish enough, and the chairman suggested so dishonorable; which do you mean?

Mr. HANNA. Both words.

Mr. GARDNER. Either so foolish or so dishonorable?

Mr. HANNA. Both.

The CHAIRMAN. It would have been both, in your opinion?

Mr. HANNA. Yes, sir; it would.

Mr. GARDNER. There are several ways in which it would be indicated if there was ever such a conspiracy. In the first place, there probably would be something in the minutes of the finance committee or the minutes of the full board of the United States Steel Corporation showing some sort of previous discussion. Secondarily, it would have been noted that these calls on persons to take up the Tennessee Coal & Iron collateral were coming more especially from what are known as the Morgan banks. Do you know whether the Morgan banks were calling for the exchange of the collateral more than other banks?

Mr. HANNA. I do not know, sir; the banks that Moore & Schley were doing their business with I have no positive knowledge, with the exception of the one that I named this morning.

Mr. GARDNER. That is the Chase National Bank?

Mr. HANNA. Yes, sir. Whether that is a Morgan bank I can not testify; I do not know.

Mr. GARDNER. The First National is, at all events, a Morgan bank?

Mr. HANNA. I so understand.

Mr. GARDNER. That bank had $450,000 of the stock——

Mr. BARTLETT (interposing). What bank?

Mr. GARDNER. The First National had $400,000 of the stock.

Mr. BARTLETT. The Trust Company of America had——

Mr. GARDNER (interposing). Mr. Schley said: "The First National Bank's loan was a large loan. We were borrowing about $400,000 on T. C. I. in that loan."

That is on page 94 of the hearing before the Senate Committee on the Judiciary.

Did the First National Bank call their loan?

Mr. HANNA. I have no positive knowledge upon any of those matters.

Mr. GARDNER. You do not remember? Where could we obtain that information?

Mr. HANNA. Mr. Schley would be able to give you that information much better than I.

Mr. GARDNER. He is not well enough to appear?

Mr. HANNA. I heard that Mr. Schley had expressed the hope that he would be able to appear before the committee next week. He has been very ill for several months, I understand.

Mr. GARDNER. There is one thing I can not understand, and perhaps you can help me. The evidence shows that Moore & Schley were only in difficulties to the extent of $6,000,000 so far as Tennessee Coal & Iron Co. loans were concerned. They were indebted some $38,000,000 or thereabouts altogether, but so far as the Tennessee Coal & Iron Co.'s loans were concerned they only amounted to a little less than $6,000,000. It appears, according to the evidence of Mr. Gary, that there were several attempts made to take care of Moore & Schley without paying 100 per cent for Tennessee Coal & Iron stock. Why was it that in order to relieve a situation which appeared to be one involving only the loaning of $6,000,000 it was necessary for the United States Steel Corporation to extend its bonds, whose face value was about $34,000,000?

Mr. HANNA. I am not familiar enough with the details of that situation to answer the question.

Mr. GARDNER. You can not tell me why it was? In your opinion, could the situation have been as well relieved if the United States Steel Corporation, for instance, had loaned Moore & Schley $6,000,000?

Mr. HANNA. I am not familiar enough with Moore & Schley's affairs to give you any information upon that point.

Mr. GARDNER. You do not remember, you say, whether it required the consent of the stockholder to sell this stock at less than the purchase price?

Mr. HANNA. Yes, sir.

Mr. GARDNER. Have you refreshed your memory?

Mr. HANNA. The stockholder had no voice in the matter as long as this syndicate management lasted. The syndicate management was absolute.

Mr. GARDNER. They could sell it at a loss or a profit, just according to their own good judgment?

Mr. HANNA. Yes, sir.

Mr. GARDNER. Then, as far as any agreement was concerned, the United States Steel Corporation could have bought $6,000,000 worth of that stock or loaned $6,000,000 on a part of the Tennessee Coal & Iron syndicate stock without taking any of the rest of it?

Mr. HANNA. I do not know whether they could or not.

Mr. GARDNER. What was there in your agreement which would have prevented a part of the syndicate availing themselves of this opportunity and selling to the United States Steel Corporation? Why could not Moore & Schley, for instance, have sold their holdings to the United States Steel Corporation, if the United States Steel Corporation wished to buy them, and left Col. Payne, for instance, with his stock in his box?

Mr. HANNA. Because the syndicate agreement prohibited it.

Mr. GARDNER. I wish you would explain that.

Mr. HANNA. As far as it related to the syndicate stock.

Mr. GARDNER. That is what we never got at. Did the syndicate agreement forbid the selling of part of the stock without the whole?

Mr. HANNA. It did not particularize in that respect.

Mr. GARDNER. How did it prevent Moore & Schley from selling their stock, unless all the members of the syndicate would be taken care of, Mr. Schley individually?

Mr. HANNA. Bound to abide by the synidicate agreement, of which he was one of the managers, myself the other, it was not within my power and not within his power to sell his stock.

Mr. GARDNER. In other words, he could not have gone to the United States Steel Corporation and said, "Here is my syndicate stock; now loan me your bonds for it, under the condition that later on we will exchange back again." He could not have done that with the syndicate stock?

Mr. HANNA. He could, with an agreement to return the stock, simply as a collateral loan. He could not have gone and sold his syndicate stock without violating his agreement.

Mr. GARDNER. Now, take this transaction wherein Mr. Schley did, as a matter of fact, exchange $2,000,000 of Tennessee Coal & Iron stock for $1,200,000 of bonds. Supposing he tried to apply the same agreement to the syndicate stock, and when April 23, 1908, came around, he was unable to make the exchange back again, that would have been equivalent to a sale of the stock?

Mr. HANNA. Yes, sir.

Mr. GARDNER. Would that have been a violation of the syndicate agreement?

Mr. HANNA. If it had been syndicate stock, I should so interpret it.

Mr. GARDNER. He could not have made with the syndicate stock the same bargain that he made on the 23d day of October?

Mr. HANNA. Not without having violated his agreement, as I look upon it.

Mr. GARDNER. That is all.

Mr. BARTLETT. When did you make up your mind to sell the stock?

Mr. HANNA. My mind individually?

Mr. BARTLETT. Yes, sir.

Mr. HANNA. As far as I was concerned, I agreed on my arrival in New York Monday morning, preceding the date of the sale.

Mr. BARTLETT. After your interview with Mr. Schley?

Mr. HANNA. And certain other parties in interest.

Mr. BARTLETT. Who were the parties in interest?

Mr. HANNA. I do not recall; several of the larger stockholders present at the meeting that I attended on my arrival here. I remember that Mr. Ogelbay was present, and I think one of my brothers was present.

Mr. BARTLETT. Up to the time you got the telephone message you had no idea of selling the stock?

Mr. HANNA. It was all news to me.

Mr. BARTLETT. You came to town and had an interview with Mr. Schley at the library of Mr. Morgan?

Mr. HANNA. I met Mr. Schley and several other parties present in his uptown office on Fifth Avenue.

Mr. BARTLETT. If this was urgent, why did you wait so long?

Mr. HANNA. In the first place, we were not to visit Mr. Morgan's library until a fixed hour in the afternoon. There were other conferences going on with some men and Mr. Morgan was engaged with different people gathered there.

Mr. BARTLETT. At what time did you go there?

Mr. HANNA. Between 2 and 3 o'clock.

Mr. BARTLETT. What time did Mr. Gary and Mr. Frick come?

Mr. HANNA. As I recollect, in the neighborhood of 5 o'clock.

Mr. BARTLETT. And you remained then at Mr. Morgan's library from 2 o'clock until 5 o'clock?

Mr. HANNA. From 2.30 until 5 o'clock, as I recollect it.

Mr. BARTLETT. You had made up your mind that you would enter into the agreement and sell the syndicate stock before you went there?

Mr. HANNA. We had agreed in the meeting in the morning. Mr. Schley and myself decided as syndicate managers and as covered by the syndicate agreement; yes, sir.

Mr. BARTLETT. You went up there and held another conference for the purpose of approving the exchange?

Mr. HANNA. It was not agreed to—the details had not been agreed to at that time.

Mr. BARTLETT. When was it finally agreed to?

Mr. HANNA. The papers were signed at midnight on Wednesday following that particular Monday.

Mr. BARTLETT. On this particular Monday did not you and Mr. Schley, and whoever was present in the morning, reach some conclusion as to what you would do?

Mr. HANNA. Yes, sir.

Mr. BARTLETT. What time Monday did you arrive at the conclusion that you would exchange the Tennessee Coal & Iron stock for Steel Corporation second bonds?

Mr. HANNA. The discussion was not entirely completed that afternoon.

Mr. BARTLETT. I do not mean that the papers were signed.

Mr. HANNA. There were a great many details. They had a conference on Tuesday and again on Wednesday.

Mr. BARTLETT. But you had on Monday agreed that you would carry out the details. What time did you come to that conclusion?

Mr. HANNA. I can not tell you.

Mr. BARTLETT. Is it a fact that you did not come to that conclusion until Mr. Gary and Mr. Frick came back from Washington?

Mr. HANNA. I did not see Mr. Gary until he got back from Washington.

Mr. BARTLETT. The agreement, finally, to sell this stock was not completed—I do not mean that the papers were signed—the understanding to carry it out was not completed until Judge Gary got back from Washington?

Mr. HANNA. Yes, sir; that is true.

Mr. BARTLETT. Why did it await Judge Gary's return from Washington?

Mr. HANNA. I do not know. That is a matter Judge Gary will have to tell you.

Mr. BARTLETT. Did you know that Judge Gary had been in Washington?

Mr. HANNA. No, sir. I stated positively this morning that I had no knowledge that he had been to Washington until just that noon.

Mr. BARTLETT. Were you informed that you would have to await his return?

Mr. HANNA. I do not recall that we were advised of that while waiting. "They were not ready for the conference," was the word we got. The cause of it I do not recall being suggested. I do not remember that Judge Gary's name was suggested as the cause of our waiting.

Mr. BARTLETT. You knew that he had gone to Washington?

Mr. HANNA. I had heard it that noon.

Mr. BARTLETT. There was nothing connected with the Tennessee Coal & Iron Co. or the United States Steel Corporation or its offices located in Washington?

Mr. HANNA. Not to my knowledge.

Mr. BARTLETT. You had never sent to Washington, or awaited an arrival from Washington, before determining what you should do about the business of the Tennessee Coal & Iron Co. before, had you?

Mr. HANNA. No, sir; not as I recall.

Mr. BARTLETT. In this instance you did?

Mr. HANNA. It has so proven; yes, sir.

Mr. BARTLETT. You do not know why it was that you were kept waiting?

Mr. HANNA. We were not advised as to why we were kept waiting; no, sir.

Mr. BARTLETT. Now, do you know what the net income of the Tennessee Coal & Iron Co. was about 1907?

Mr. HANNA. No, sir; I do not recall the figures.

Mr. BARTLETT. According to the statement of Judge Gary, chairman of the finance committee, and Mr. Corey, the president, in 1907 the net income was $1,426,864.

Mr. HANNA. They probably speak from the statement made of that year's business. I do not recall. I would say that was approximately correct.

Mr. BARTLETT. That was the year in which this property was sold?

Mr. HANNA. Yes.

Mr. BARTLETT. And that income was the income after charging off depreciations and extraordinary displacements, and taking off $825,500 for interest charges on bonded and floating debt. You stated this morning you had put some improvements on this property during 1907?

Mr. HANNA. Yes, sir; there was in process of construction a very considerable amount of new improvements.

Mr. BARTLETT. It amounted to probably six or seven million dollars, did it not?

Mr. HANNA. Well, during all of 1906 and 1907 improvements were going on. I suppose the total expenditures by the parties then in control up to that time probably were seven or eight million dollars.

Mr. BARTLETT. During 1907 had you not spent over $5,000,000 in improvements?

Mr. HANNA. In that one particular year?

Mr. BARTLETT. Yes.

Mr. HANNA. Well, that I can not state from memory.

Mr. BARTLETT. You commenced in 1905?

Mr. HANNA. Yes.

Mr. BARTLETT. With the improvements and expenditures on this property, you had enhanced very much the property's present value and its future value?

Mr. HANNA. That is what we were making the improvements for.

Mr. BARTLETT. Had you not accomplished that purpose?

Mr. HANNA. These improvements were only completed, in small part, to a point of earning power. They were in process of construction, but they had not earned a very great deal. We were operating at that time practically the plant as we had found it.

Mr. BARTLETT. So that the plant you purchased in 1905, by reason of these improvements in 1907, had enhanced very much in value, had it not?

Mr. HANNA. Well, yes, sir; I should say that it had.

Mr. BARTLETT. And it was worth not only what you valued it at when you purchased it, but was worth the additional improvements and increased value by reason of those improvements, was it not?

Mr. HANNA. No, sir; it was not. We tore down for displacing and wrecking a very large amount of plant that this was simply replacing, and therefore it was a renewal, and while it was new construction, it did not increase——

Mr. BARTLETT (interposing). It did not diminish its value any, did it?

Mr. HANNA. No, sir; it increased its value because we built a modern plant as against an old, worn out, out-of-date plant.

Mr. BARTLETT. And after charging off those depreciations and displacements, they still had a net income for 1907 of a million and a half dollars?

Mr. HANNA. Yes, sir; that was an abnormally good year in the steel industry, better than we have seen since or probably are going to see again in the near future, I am afraid.

Mr. BARTLETT. Is is not true that the panic was very nearly over when you sold out the stock?

Mr. HANNA. No, sir; not as far as I am capable of judging of conditions of that character.

Mr. BARTLETT. This was on the Monday, the 4th of November, 1907, was it not?

Mr. HANNA. The 3d or 4th or the 5th, along in there. I do not remember the exact date.

Mr. BARTLETT. Now, do you not know that as early as October 25, 1907, before you sold out the stock, that the then President of the United States had issued a statement in which he congratulated the then Secretary of the Treasury, Mr. Cortelyou, on the admirable way in which he had handled the crisis here in New York by relieving it, and also congratulated the bankers of New York, the substantial business men, who had rendered invaluable service in checking the panic? Do you not remember those to be public instances?

Mr. HANNA. I do remember something of it.

Mr. BARTLETT. Now, is it not a fact that the matter of the Secretary of the Treasury coming to the aid of the bankers of New York and checking the panic occurred some 10 days before the completion of this agreement and the sale or exchange of the Tennessee Coal & Iron Co.'s stock for the Steel Corporation bonds?

Mr. HANNA. My rcollection is that the aid which came from the Government proved totally inadequate to meet the situation.

Mr. BARTLETT. But the President did not think so, nor the Secretary of the Treasury; is not that true also?

Mr. HANNA. I can not say what they thought.

Mr. BARTLETT. You read the papers, do you not?

Mr. HANNA. Sometimes.

Mr. BARTLETT. Do you not have a recollection of seeing in the papers this praise which the President of the United States bestowed upon the bankers of New York for checking the panic?

Mr. HANNA. I do not remember the details of what came from that source at that time; no, sir.

Mr. BARTLETT. As I understand you, there was no money passed at all in this deal?

Mr. HANNA. No, sir.

Mr. BARTLETT. The mere exchange of securities that were worth on the market less than par for Tennessee Coal & Iron Co.'s stock stopped the panic, did it?

Mr. HANNA. Well, I think it did a great deal to correct the conditions existing at that time; yes, sir. That is my judgment.

Mr. BARTLETT. Without putting a dollar in circulation in the city?

Mr. HANNA. It certainly went a great way toward restoring confidence; and confidence, so far as my judgment goes, is an important element in conditions of that character.

Mr. BARTLETT. It depends a great deal on whose confidence you have to restore?

Mr. HANNA. Well, I think the confidence at that time was pretty nearly the confidence of the whole country.

The CHAIRMAN. Mr. Hanna, the stock that was tied up in the syndicate agreement was purchased in considerable amounts from Mr. Kessler, was it not?

Mr. HANNA. Yes, sir; the first purchase was made from Mr. Kessler.

The CHAIRMAN. He had a large amount of this stock at his disposal or under his control, either his own property or holdings it as a broker, at the time your syndicate was formed?

Mr. HANNA. He had.

The CHAIRMAN. You formed this syndicate, as you have said, for the purpose of getting enough of the stock off of the market and in your strong boxes to insure permanent ownership and to enable you to develop it as you thought it deserved development?

Mr. HANNA. Yes, sir.

The CHAIRMAN. Mr. Kessler became a member of the syndicate, did he not?

Mr. HANNA. He was interested in the syndicate; yes, sir.

The CHAIRMAN. It was necessary to take Mr. Kessler into this syndicate in order to get a controlling interest in the stock on the market, was it not?

Mr. HANNA. Mr. Kessler made, as I recall it, being present at the time the deal was consummated with him, not perhaps a positive condition, but he was very insistent that he should still retain a part of his ownership.

The CHAIRMAN. And that condition was complied with?

Mr. HANNA. Yes.

The CHAIRMAN. And necessarily complied with in order to get a controlling interest in this stock?

Mr. HANNA. We did not purchase a controlling interest from Mr. Kessler; he did not own the control.

The CHAIRMAN. I understand that.

Mr. HANNA. That was obtained by additional purchases made in the open market.

The CHAIRMAN. But it took Mr. Kessler's stock to give you the interest you desired?

Mr. HANNA. Yes.

The CHAIRMAN. And it was necessary in order to get Kessler's stock to allow him to become a member of the syndicate?

Mr. HANNA. He was very insistent on remaining in the syndicate as a stockholder of the company.

The CHAIRMAN. If it had not been for that peculiar condition, would Mr. Kessler have been a member of the syndicate?

Mr. HANNA. Well, I do not know as to that; probably not, in my judgment. I am not positive that he would not have been.

The CHAIRMAN. How many of the members of this syndicate were practical steel men?

Mr. HANNA. Well, there were four or five, I think, or six or eight. if you take some of the smaller holders of a syndicate interest that were identified actually with the iron and steel industry.

The CHAIRMAN. How many practical steel men were in the syndicate—men who understood the business of making steel?

Mr. HANNA. Well, I do not know exactly what you mean when you say "making steel."

The CHAIRMAN. I mean handling ore or making pig iron, for instance.

Mr. HANNA. I do not know of any who were not familiar with the iron and steel industry, but as to those actually connected with it I

do not know. I should have to look at a list, Mr. Chairman. I should say five or six or seven, perhaps, who had been, and were then, identified with the steel industry.

The CHAIRMAN. You had been interested in it?

Mr. HANNA. Yes, sir.

The CHAIRMAN. Mr. Berwind?

Mr. HANNA. No, sir; I do not think so.

The CHAIRMAN. Mr. Gates?

Mr. HANNA. Yes, sir.

The CHAIRMAN. Mr. Oglesbay?

Mr. HANNA. Yes, sir.

The CHAIRMAN. And Mr. Stout, Mr. Black, Mr. Simpson, Mr. French, Mr. Cooper, and Mr. Topping?

Mr. HANNA. Mr. French had been interested in the steel business, and Mr. Cooper had been identified with the steel business.

The CHAIRMAN. What experience had Mr. Topping had?

Mr. HANNA. Mr. Topping had been all his life in the iron and steel business, actively.

The CHAIRMAN. So that from the personnel of this syndicate, I judge you were well equipped, not only as to your financial resources, but you had men in the syndicate who understood from experience—the best school in which to learn things, practical experience, long experience, just how to develop economically and effectively the great business you contemplated establishing in that region?

Mr. HANNA. Yes, sir; I would say so.

The CHAIRMAN. That was your purpose in bringing that kind of men together?

Mr. HANNA. That is what we made an effort to accomplish.

The CHAIRMAN. You spoke of the control of the market by the mills of the north, that north of the Ohio River the market was controlled by the mills in that section?

Mr. HANNA. I do not think I used the word "controlled," Mr. Chairman.

The CHAIRMAN. I so understood you.

Mr. HANNA. I did not discuss it in that sense at all. I did not know I was asked a question that bore upon the question of control.

The CHAIRMAN. I understood you to speak of the question of control.

Mr. HANNA. As against southern competition, in a sense, of course, they controlled, in the fact that the southern manufacturer of steel products could not come north with his goods.

The CHAIRMAN. I am not speaking now of control in the sense of restraint of trade or monopoly. I am not using the word "control" in the sense of a monopoly at all.

Mr. HANNA. But it is strongly permeated to-day with this word "control," and I do not want to be understood as using it in that sense.

Mr. BARTLETT. Well, Judge Gary is the main man who wants it controlled by the Government.

The CHAIRMAN. Mr. Hanna, I understand your delicacy about the use of that term, and I wish to speak with exactness.

Mr. HANNA. I only wanted to make myself clear on that point.

The CHAIRMAN. I understand the manner in which you speak of it. Now, my idea is this: There were certain zones on the continent of the United States wherein, without any monopoly by any particular concern, we will say, a manufacturer of steel could expect to control the market by reason of natural conditions as against others not so physically situated.

Mr. HANNA. Well, the matter of transportation and the cost of transportation to reach a given market enters into that question. The location of different plants gives them advantages in such localities.

The CHAIRMAN. Gives them what you might call a natural monopoly.

Mr. HANNA. It gives them a geographical advantage.

The CHAIRMAN. A geographical advantage which excludes the other fellow from that region. Now, what zone was it, or what region was it, which was thus controlled or had this advantage by the Birmingham ores?

Mr. HANNA. You mean the finished steel?

The CHAIRMAN. Pig iron.

Mr. HANNA. As I stated, Mr. Chairman, southern pig iron went pretty generally over this country, north and south. The finished products, so far as they were manufactured, and are manufactured to-day in the South, I think their market is confined to the South. I would say south of the Ohio River, except to such extent as the corporations, through their facilities and energy, have been able to create a foreign market for a part of their product, and I have understood only from hearsay that they were filling some of their foreign orders for rails from the Birmingham plant.

The CHAIRMAN. I am not speaking of the export trade. The States lying south of the Ohio River or south of a line drawn east and west in the region of the Ohio River, passing through the city of Cincinnati, we will say, the region south of that line, running through the great plains and including the States of Louisiana, Texas, Arkansas, and Missouri, all that region, as well as the Southern States, was the proper zone for the semifinished products, like pig iron, from this Alabama district, was it not?

Mr. HANNA. You consider pig iron a semifinished product, I judge?

The CHAIRMAN. Yes.

Mr. HANNA. Pig iron, as I have stated, came into the Northern States and all the States where northern iron was made. The steel products of the South were very limited in number at the time I was identified with the southern interests. Rails were the principal product there. There were other concerns there that made wire; the Southern Steel Co. and the Tennessee Co. had two rolling mills, but there was no attempt during our connection with the Tennessee Co. to come north of the line you have drawn with finished products, which would have been simply ridiculous to try to do; and as to rails, we were confined to the South and Southwest until we got to making the open-hearth rail, which, to some extent, did come north. I remember one small order we got from Mr. Hill, of the Great Northern System. I think it was 5,000 tons of open-hearth rails. He wanted to use them in an experimental way in his tracks as compared with the Bessemer rails.

The CHAIRMAN. You misapprehend me. I am not speaking of your opportunity to come north. I am speaking of the fact that that zone for rails and pig iron was the zone of the Birmingham district—that was their market.

Mr. HANNA. That was their natural market; that is where they had the natural advantages.

The CHAIRMAN. Had the United States Steel Corporation any plants within that zone prior to the absorption of the Tennessee Coal & Iron Co.?

Mr. HANNA. Not to my knowledge; no, sir.

The CHAIRMAN. Now, to get back to this Kessler proposition. Mr. Kessler did have considerable stock that was never in this syndicate, did he not?

Mr. HANNA. I so understood.

The CHAIRMAN. And after he placed a large block of stock in this syndicate, he afterwards purchased a great deal of this free stock?

Mr. HANNA. I so understood.

The CHAIRMAN. And that stock was in the bank here in New York as collateral—a great deal of it?

Mr. HANNA. I have no knowledge of that.

The CHAIRMAN. Have you not heard that?

Mr. HANNA. Yes; but I can not speak from any knowledge of my own.

The CHAIRMAN. Who else, besides Mr. Kessler and Mr. Schley, placed any of their stock as collateral in the banks of New York to any considerable extent?

Mr. HANNA. Well, I am not familiar with all the stockholders that may have held free stock. I do not think to any considerable extent.

The CHAIRMAN. It is true that a controlling interest in that stock prior to the time of its absorption by the United States Steel Corporation was, as a matter of fact, locked up in the strong boxes of the men who comprised this syndicate, was it not?

Mr. HANNA. A very considerable portion of the syndicate stock was; yes, sir.

The CHAIRMAN. And a majority of all the stock?

Mr. HANNA. No; I would not say a majority of all of the issue of stock was in the hands of the individuals, in their own boxes. I could not speak exactly upon that matter.

The CHAIRMAN. You and Mr. Schley, as syndicate managers, had the authority to sell or to take care of the stock that was put in these banks in New York as collateral, did you not?

Mr. HANNA. Not all of it. We had no authority over the free stock.

The CHAIRMAN. I mean the syndicate stock.

Mr. HANNA. Oh, yes.

The CHAIRMAN. Would you not have preferred, Mr. Hanna, to have sold either to the United States Steel Corporation, or to anybody else, the stock that was up as collateral; would you not have preferred to have exchanged the stock that was being hammered or that had been repudiated as insufficient collateral as a basis for these loans; would you not have preferred to exchange that stock for the bonds of the United States Steel Corporation, had the banks been so willing, and still have retained your syndicate control of this property in the South?

Mr. HANNA. Personally I should have been very glad to continue my interest to a fuller development of the Tennessee property.

The CHAIRMAN. Would not Mr. Schley have been willing?

Mr. HANNA. That I can not answer.

The CHAIRMAN. Was there any member of that syndicate with whom you are acquainted who went to all this trouble and care to put this stock where it could not be torn from you, on account of your knowledge of the value of that property—was there one of those men who objected to that sort of arrangement?

Mr. HANNA. Never, to me.

The CHAIRMAN. Whose ultimatum was it which prevented the saving of the situation by merely taking care of the stock that was in danger, and insisted on a sale of $30,000,000 worth of stock, or the control in it, to save $5,000,000?

Mr. HANNA. Well, I do not know that that was considered a possibility under the conditions that existed at that time. There was a discussion as to the possibilities of relieving the situation, ouside of the question of a sale; but it was found that the condition of many of these people was such that, just at that particular time, other interests they had which had to be cared for—the great difficulty of borrowing money in any considerable sum—that it was an impossible proposition to accomplish.

The CHAIRMAN. Why?

Mr. HANNA. Could not get the money.

The CHAIRMAN. Was there a bank in New York, Mr. Hanna, that was demanding not only that they have steel bonds or some other such security as collateral for their loans, but that all the outstanding stock in the Tennessee Coal & Iron Co. should be exchanged for bonds?

Mr. HANNA. I do not know that they were demanding that Tennessee Coal & Iron Co. stock should be exchanged for bonds. They were demanding, as I understood the situation, a more liquid character of securities.

The CHAIRMAN. And the steel bonds were regarded as satisfactory in every way?

Mr. HANNA. They proved so.

The CHAIRMAN. Do you believe there was a bank in New York that accepted these bonds as liquid security that would have refused because all the stock in the Tennessee Coal & Iron was not exchanged for them?

Mr. HANNA. I question whether there is any bank in New York would have refused if the steel bonds had been available, but you have first got to make them available in order to substitute them.

The CHAIRMAN. Yes; I understand that.

Mr. HANNA. How are you going to get possession of them?

The CHAIRMAN. Could you not get possession of any of these steel bonds to relieve the situation unless you gave them all of the stock or a controlling interest in your company?

Mr. HANNA. That I do not know. That proposition was not personally discussed by me. I presume it was discussed, but not with any success.

The CHAIRMAN. Was there not a discussion in Mr. Morgan's library between Judge Gary and Mr. Frick as to what ought to be paid for these bonds?

Mr. HANNA. That I do not know.

The CHAIRMAN. And did not Mr. J. Pierpont Morgan say to those men, "You settle that matter between yourselves and then come back to me"?

Mr. HANNA. I have no means of knowing what occurred between those gentlemen, Mr. Chairman.

The CHAIRMAN. Well, was it not known by you and by Mr. Schley and by everybody there that the only way that any securities, any money, could be procured on this stock was the breaking of the strong hold that the syndicate had on it by reason of this agreement, and divesting yourselves of the last vestige of control of that property?

Mr. HANNA. Well, that I can not say.

Mr. YOUNG. Mr. Hanna, I want to go back over some odds and ends here which have been omitted. In the early part of your examination a few questions were asked you as to the ore reserves on Lake Superior, and as to whether any of these were in the hands of men or corporations who sold the ores instead of using them, and you stated there were some. You also stated that M. A. Hanna & Co. owned some lands there which they were operating and which were for sale as going properties. Does M. A. Hanna & Co. also act as sales agent for a large number of mines in the northern peninsula?

Mr. HANNA. Yes, sir.

Mr. YOUNG. Can you remember whether the amount of ore which passed through the hands of M. A. Hanna & Co. in 1910 exceeded 5,000,000 tons from Lake Superior?

Mr. HANNA. I am not posted as to the exact amount. I would think approximately that figure, however.

Mr. YOUNG. What other parties, to your knowledge, are interested in these merchant mines, as you may call them, in Lake Superior, for whom M. A. Hanna & Co. do not act as sales agents?

Mr. HANNA. Well, there are a number of very important interests there. Do you want me to name them?

Mr. YOUNG. Yes.

Mr. HANNA. Oglebay, Norton & Co.; Pickands, Mather & Co.; Corrigan, McKinney & Co.; Tod Stambaugh & Co.; the Newport Mining Co. I think those would constitute what I would call the larger operators of the so-called merchant's mine.

Mr. YOUNG. How about the Cleveland Cliff Co.?

Mr. HANNA. Yes; the Cleveland Cliff Co. is quite as important, if not more so, than any I have named. It just slipped my mind for the moment.

Mr. YOUNG. These companies own large amounts of ore?

Mr. HANNA. I think those I have named all own large amounts of ore.

Mr. YOUNG. And they are on what ranges?

Mr. HANNA. Well, I think substantially on all of them. I think most of those I have named are interested, some of them, on all the four different ranges; some perhaps on only two, others on three of the four different ranges, and several of them on all the ranges.

Mr. YOUNG. What is the considerable mine you refer to in which M. A. Hanna & Co. were interested or owned?

Mr. HANNA. Well, it is not an M. A. Hanna & Co. property. It is a separate corporate interest in which M. A. Hanna & Co. control

the stock. It is called the Pittsburg Ore Co. Then they have several mines, independent of the Pittsburg Ore Co., four or five different interests other than the Pittsburg Ore Co., but that is the largest one.

Mr. YOUNG. Are you at the present time directly interested in the ore business, since you left the firm?

Mr. HANNA. No, sir; I am not, only as a stockholder in mining interests.

Mr. YOUNG. Do you take an active part in the management of those companies?

Mr. HANNA. No, sir.

Mr. YOUNG. You were a very active member of the firm of M. A. Hanna & Co. as long as you were connected with it?

Mr. HANNA. Yes, sir.

Mr. YOUNG. At that time M. A. Hanna & Co. were shipping considerable amounts of ore out of the Mesabi?

Mr. HANNA. Yes, sir; out of all the ranges.

Mr. YOUNG. And those ores passed over the railroads which were controlled by the United States Steel Corporation?

Mr. HANNA. Very considerable tonnages; yes, sir.

Mr. YOUNG. Did you ever make any complaint as to the freight rates which you were charged there?

Mr. HANNA. I do not recall that we did during my connection with the firm.

Mr. YOUNG. Did you not regard the rates as high?

Mr. HANNA. Well, I should call them good rates; yes, sir.

Mr. YOUNG. Was there any reason which deterred you from making any complaint?

Mr. HANNA. No, sir.

Mr. YOUNG. It has been suggested here that there was fear of the vengeance of the Steel Corporation against anybody engaged in the business, if they should complain of these rates. Was there anything of that kind of which you were aware as an operator in iron ore?

Mr. HANNA. Never to my knowledge.

Mr. YOUNG. You were satisfied, then, to pay the rates that were charged?

Mr. HANNA. Back in those days, we were. In the earlier days we quite realized that the tonnages were not large; that was in the pioneer days in the development of that section of the country.

The CHAIRMAN. Are the rates any cheaper now?

Mr. HANNA. The rate has never been changed to my knowledge. I suppose it is the same to-day that it has always been.

Mr. YOUNG. Now, then, I understood you to say that during the time the so-called syndicate owned the control of the Tennessee Coal & Iron Co. you expended some $7,000,000 on the property.

Mr. HANNA. Yes; rather in excess of that at the time we quit.

Mr. YOUNG. And was I correct in understanding that you obtained that money by an increase of the stock and its sale?

Mr. HANNA. Yes, sir; entirely.

Mr. YOUNG. That was some 70,000 shares?

Mr. HANNA. $7,000,000 would be; yes, sir.

Mr. YOUNG. And that stock was taken almost entirely by the syndicate?

Mr. HANNA. The underwriting syndicate of the first two issues of the stock did not get a share.

Mr. YOUNG. What proportion of it did they get altogether?

Mr. HANNA. Every stockholder got his pro rata proportion.

Mr. GARDNER. The minority stockholders outside of the syndicate took up that stock?

Mr. HANNA. Every stockholder, I said, sir.

Mr. YOUNG. Your first purchase was 82,000 shares?

Mr. HANNA. Yes, sir.

Mr. YOUNG. Then you purchased in the open market enough stock to bring that up——

Mr. HANNA (interposing). At least, that is my recollection; 82,000 shares. It might have varied from that.

Mr. YOUNG. But it was about that amount?

Mr. HANNA. Yes.

Mr. YOUNG. Then you purchased in the open market enough to bring that up to 118,500 shares?

Mr. HANNA. Yes, sir.

Mr. YOUNG. And that was done within a very short time?

Mr. HANNA. Within 24 hours after the purchase of the block of stock.

Mr. YOUNG. That would be a purchase of 36,000 shares?

Mr. HANNA. About that.

Mr. YOUNG. And you say that was purchased at something less than $110—a little less than that?

Mr. HANNA. Well, it was nominally less. I do not remember the exact average of the cost of that outside stock.

Mr. YOUNG. Is it not a little remarkable, after taking 118,000 shares of stock out of the market, that the purchase of 36,000 shares in 24 hours should not have raised the price of that stock to the amount which you had paid at private sale?

Mr. HANNA. We did not take 118,000; we took 82,000.

Mr. YOUNG. Yes; but you took 36,000 by purchase in the open market.

Mr. HANNA. The stock was very active at that time, and I have no doubt, as is very often the case, some people were selling what they did not own.

Mr. YOUNG. But you got actual stock, did you not?

Mr. HANNA. We had 118,500 shares delivered to us.

Mr. YOUNG. As I understand, in the end you had about two-thirds of the stock in the syndicate?

Mr. HANNA. Yes, sir; approximately.

Mr. YOUNG. What would be the natural effect on the price of the stock in the stock market to take absolutely out of the market two-thirds of the stock; would that tend to strengthen it or weaken it.

Mr. HANNA. To strengthen it, I should say.

Mr. YOUNG. So that instead of your having trusteed this stock being a reason for the stock being so low, it was one of the principal things which held the price of the stock up, was it not?

Mr. HANNA. Yes, sir; after it became known where the ownership rested. When it became known that the stock was syndicated, that destroyed all trading opportunities in the stock.

Mr. YOUNG. But it tended to hold the price up instead of depressing it, did it not?

Mr. HANNA. Oh, yes.

Mr. YOUNG. You were asked some questions by Mr. Gardner as to the value of ores and as to the royalties paid. Now, take, for instance

the old ranges; is it not true that the royalty does not represent by any means the value of the ore in the developed mine?

Mr. HANNA. Well, it is a fact that the old ranges are almost entirely covered by old leases made back when royalties were very cheap as compared with values to-day.

Mr. YOUNG. Is not this also true, that these mines—I speak of the old ranges now, old properties like the Chapin—were leases when they were simply wild land, some exploration having been made which discovered the presence of ore?

Mr. HANNA. Yes, sir.

Mr. YOUNG. And that all the expense of developing those properties, putting in the necessary machinery, sinking the shafts, and doing the underground drifting, and all of that, was thrown upon the leaseholders?

Mr. HANNA. Yes, sir.

Mr. YOUNG. And after that work was done, it would quite largely increase the value of that ore in the ground, would it not?

Mr. HANNA. It did after the ore business grew in value. Back for a long period of time I do not think there were a dozen mines on Lake Superior, for a period of five or six years, that got 5 per cent out of their investment.

Mr. YOUNG. Well, I am speaking at this time not of market value, but of actual value.

Mr. HANNA. Royalties were very low for many years there. The ore business was not such as to justify anything like the royalties of to-day.

Mr. YOUNG. That is true, but is it not also true that the royalty, speaking of these old ranges, represented generally the market value of the ore in an absolutely undeveloped mine?

Mr. HANNA. At the time the leases were made; yes, sir.

Mr. YOUNG. And that is what the lessee was paid for?

Mr. HANNA. Yes, sir.

Mr. YOUNG. And after large amounts of money had been expended in developing these properties, the ore, of course, not necessarily in the market, but as a matter of fact, was greatly enhanced in value because this work had been done?

Mr. HANNA. Oh, yes.

Mr. YOUNG. So you would not say, would you, that on any of the ranges the royalties paid were a fair measure of the value of the ore in the ground now?

Mr. HANNA. Yes; I think there are many leases that are a very fair measure of the value of the ore in the ground now, the latter-day leases.

Mr. YOUNG. And would you not think there are many of them that are not?

Mr. HANNA. I think there are a great many of them that are not, as compared with the values of to-day. Any lease made before the year 1900, for illustration, has a very much lower royalty than they would obtain on that same body of ore to-day.

Mr. YOUNG. You were asked for some comparisons of ore values at the present time and in the years 1893 and 1894, and stated in reply, as I remember, that in that period—1893 and 1894—there was a great depression and ores were abnormally low. I wish to ask you, leaving out the decade 1890 to 1900, when this abnormal condi-

tion existed, are not the ores during the present decade lower, on an average, than any previous decade in the history of the business, except the one immediately before it, when this abnormal condition existed?

Mr. HANNA. You refer to the prices of ore from 1900 to 1910?

Mr. YOUNG. From 1900 to 1910 were not the prices lower than for any other 10 years except the 10 years immediately preceding?

Mr. HANNA. I would say they were; yes, sir.

Mr. YOUNG. Now, in the years 1902 and 1903 and the years immediately following were there not two conditions that materially affected the price of ore and made it abnormal—first, the general depression of business in the country; and, second, the fact that the Mesabi, with its enormous bodies of ore, was coming into the market a little before it was needed. Did not those things combine to make that a very abnormal situation?

Mr. HANNA. Yes, sir; I think, principally, those were the causes. There were other contributing causes perhaps at that time which helped the price downhill, but I think those are the two principal contributing causes.

Mr. YOUNG. And they produced what you regard as an abnormal situation?

Mr. HANNA. An abnormal market; yes, sir.

Mr. YOUNG. Then is it not a fact that, taking long periods of time—from the beginning of this industry on Lake Superior in 1855, with numerous fluctuations for short periods—that the general tendency of prices over the whole period has been down instead of up?

Mr. HANNA. Yes, sir; and there never was a time in the Lake Superior industry when the cost of production was as high as it is to-day; that is, the labor part of.

Mr. YOUNG. Do you know what the present prices of ore in Cleveland are?

Mr. HANNA. Yes; approximately.

Mr. YOUNG. What are old-range Bessemers worth?

Mr. HANNA. The base is $4.50; that is, on 61 per cent metallic contents, dried, 212.

Mr. YOUNG. And Mesabi Bessemers?

Mr. HANNA. Fifty cents a ton cheaper.

Mr. YOUNG. On the same base?

Mr. HANNA. Of the same chemical analysis.

Mr. YOUNG. And what is the value of old-range non-Bessemers on the base?

Mr. HANNA. Well, the base price they have on the Lakes, they always have an ore of a fixed percentage of contents of metallic iron to figure values from, up above or down below, as the ore may analyze. While I am not positive, I think old range, standard, non-Bessemer ore is worth $3.75, or perhaps $4.

Mr. YOUNG. And non-Bessemer Mesabi?

Mr. HANNA. Non-Bessemer old range and Mesabi standard, I think, in the neighborhood of $3.50, as I recall it. I am not definitely posted as to prices. I am not active enough in the industry now to carry those prices in mind.

Mr. YOUNG. But those figures are pretty close to the correct figures?

Mr. HANNA. Yes, sir. They are 50 cents a ton cheaper all around this year than they were last year.

Mr. YOUNG. Now, as to the base, suppose 61 per cent metallic iron is your base; is it figured in this way—suppose your ore ran only 58 per cent; would the price be fifty-eight one-hundredths of the base price?

Mr. HANNA. Well, to figure more as the practice is in the ore business, ore is sold on its natural-condition analysis. The standard old-range Bessemer ore, for illustration, say, is 55; that is what it is supposed to yield in the blast furnace.

Mr. YOUNG. That is, not dried?

Mr. HANNA. Not dried. Now, if the price is $5.50, we will say, to illustrate the point, that would be 10 cents a unit. If the ore runs 52, naturally it would be 3 units below the standard, and it would be 3 times 10 off from the $5.50 price, or 30 cents. If, however, the ore varies more than 3 units, then the increased deduction per unit of value increases; as the ore runs down low in metallic contents it is less desirable and does not bring the same relative price per unit. It takes very much more fuel to smelt a lean ore than it does a rich ore.

Mr. YOUNG. Now, referring for a moment to the sale of the Tennessee Coal & Iron Co., did not the syndicate managers, yourself and Mr. Schley, have the power to sell any proportion of the syndicate stock you chose, or were you required to sell the whole of it?

Mr. HANNA. We never so understood our power. I do not recall that it is recited in the syndicate agreement, but it was always our understanding and we never had any other thought, that anything would be sold except the whole syndicate holding was sold, as long as the stock remained under the syndicate agreement.

Mr. YOUNG. I suppose you did not wish to retain a minority interest in the stock; was that the idea?

Mr. HANNA. Yes. We, of course, did not wish to have a minority interest.

Mr. YOUNG. You preferred to sell the whole rather than to sell enough to put you in the minority?

Mr. HANNA. We preferred to sell the whole of the syndicate stock; in fact, we preferred to sell all of the stock, if we sold at all, as we did when the deal was made, giving the minority holders the same privilege that the syndicate stock carried in the sale made to the United States Steel Corporation.

Mr. YOUNG. And nearly all the minority stockholders came in and sold their stock?

Mr. HANNA. I understand that the number of shares now outstanding is insignificant.

Mr. YOUNG. Now, the same question has been troubling me that troubled Mr. Gardner, about one particular thing—why it was necessary to sell all of this stock to relieve Moore & Schley from a liability of about $6,000,000, for which they had pledged Tennessee Coal & Iron Co's stock. Was the only reason for that that you preferred to sell the whole, if you lost the control? Was there any other reason?

Mr. HANNA. We had first to find a purchaser who would buy a minority interest in a property of that kind. We did not have that opportunity, so we did not have to exercise our authority on that point.

Mr. YOUNG. Judge Gary testified before this committee that before a sale was seriously contemplated, the Steel Corporation offered to

loan $5,000,000 to relieve Moore & Schley, and that Mr. Payne, of Cleveland, offered to add another million to that, and that Mr. Ledyard, to whom this offer was made, went off and consulted with people with whom he was interested, and finally came back with the statement that that would not do at all, that it would have to be all or none.

Mr. GARDNER. Pardon me one moment, Mr. Young. I think you have quoted Mr. Gary's evidence wrong. I do not think he gave that evidence, that they had offered to lend $5,000,000.

Mr. YOUNG. Yes; that was discussed.

Mr. LITTLETON. I do not remember such a statement as that, Mr. Young.

Mr. GARDNER. I think the offer was $1,000,000, to which Col. Payne agreed to add $1,000,000, but I will look that up while the discussion goes on.

Mr. YOUNG. Well, whether it was $5,000,000 or less, it was a certain amount of money. Did you hear that matter discussed, Mr. Hanna?

Mr. HANNA. No, sir; never.

Mr. YOUNG. Did you talk this matter over with Mr. Ledyard?

Mr. HANNA. Only in company with the other people in interest, on this particular Monday when we discussed it.

Mr. YOUNG. Did you ever understand clearly why it was necessary to take all of this stock, merely to relieve the situation in the New York banks?

Mr. HANNA. No; I do not think it was necessary to take all of this stock to relieve the New York banks. I remember distinctly that I myself insisted at the first conference I attended, upon this question of sale, that the door should be opened to all stockholders to avail themselves of the same price and terms at which the syndicate control stock was exchanged.

Mr. YOUNG. Well, do you wish to be understood as saying, in effect, that the only reason why it was necessary to sell the whole of this stock was because the Steel Corporation would not purchase a lesser amount than the control?

Mr. HANNA. I do not know that the United States Steel Corporation would not have purchased a lesser amount. I assume they would not have purchased less than a control. I do not know but what they would have purchased a control without all of the stock going at the same time.

Mr. GARDNER. I will read from the record. Mr. Young was correct in his recollection and I was wrong. At page 131 of the hearings Mr. Gary said:

> But it was understood that we would offer to loan Mr. Schley either five or six million dollars in cash, taking the Tennessee Coal & Iron Co. stock as collateral security for the repayment of that loan; and if that failed to satisfy his wants, that then we would buy the stock on the basis of paying 90 per cent for it in bonds of the United States Steel Corporation.

Later on, at page 185 of the hearings, where I am interrogating Mr. Gary, Mr. Gardner said:

> That Moore & Schley's indebtedness, based on Tennessee Coal & Iron Co. stock, amounted to about $5,000,000 or $6,000,000?
>
> Mr. GARY. I suspected at that time, when Mr. Ledyard reported to me, that the loan by our corporation to Moore & Schley of five or six million dollars would not relieve them, would not help the situation, or at lease cure the diffi-

culties; that the indebtedness of Moore & Schley, which was secured by Tennessee Coal & Iron stock, was much larger than five or six millions.

So that, according to Mr. Gary's evidence, there was a tentative proposition of that nature made to Mr. Ledyard.

Mr. YOUNG. There was also a talk with Mr. Payne about it, and he was willing to put up $1,000,000 in addition.

Mr. HANNA. I never heard of that. That must have transpired before I reached New York.

Mr. GARDNER. I think Mr. Gary testified Mr. Payne was willing to put up $1,000,000 and some one else $2,000,000. [Reading:]

Mr. Payne himself had offered to loan Mr. Schley, I think, a million dollars; some one else had offered to loan a million dollars, and some one else, or others, a million dollars. So that, as I remember, there were about $3,000,000 additional, which would provide in cash to Moore & Schley about eight or nine million dollars.

As against that is Mr. Schley's statement before the Senate Committee on the Judiciary that if he could have had $5,000,000 at that time in cash he would have been perfectly happy, or a statement to that effect.

Mr. YOUNG. Was there any talk in these negotiations about selling less than the control? Did you consider it in your negotiations with Judge Gary and Mr. Frick?

Mr. HANNA. I understood when I reached New York that in the conversation that had occurred either the Friday or Saturday before the question of control only had been discussed.

Mr. YOUNG. From whom did you understand that?

Mr. HANNA. From Mr. Schley.

Mr. YOUNG. Did you talk with Mr. Ledyard about that?

Mr. HANNA. Mr. Ledyard was present during that conference. I objected to that and insisted that the doors should be opened to the minority stockholders in all fairness to them, and that was at once agreed upon, and Mr. Ledyard conferred with the Steel Corporation that same day before the afternoon conference between the two committees and reported back that they were willing to open the doors and take all of the minority stock on the same price and terms, if the deal reached a definite conclusion.

Mr. YOUNG. Then, so far as you know, the negotiations were all confined to the control or more than the control, and the sale of less than the control was not considered?

Mr. HANNA. Not so far as I have any knowledge of the several conferences that occurred between the syndicate managers and the Steel Corporation's representatives.

Mr. STERLING. Mr. Hanna, are you connected with the United States Steel Corporation?

Mr. HANNA. No, sir.

Mr. STERLING. Have you ever been?

Mr. HANNA. No, sir.

Mr. STERLING. Going back to a question asked you before lunch, I do not know that I understood you exactly. You say, considering the United States Steel bonds at par, you got 119 for the Tennessee stock?

Mr. HANNA. Yes, sir; 119 and a very small fraction over 19.

Mr. STERLING. What were United States Steel bonds worth at that time? Were they worth only 84 cents?

Mr. HANNA. My recollection is that the market price on the day that the deal was closed was 84.

Mr. STERLING. That was my understanding. This stock that was parted with in that way actually brought how much, counting Steel bonds as worth 84 cents?

Mr. HANNA. Well, it would figure out about par for the stock.

Mr. STERLING. It would be less than par, would it not?

Mr. HANNA. Well, the ratio between 84 and par and par and 119, if you would figure it out, I guess there would only be a fraction of difference. I do not think it is an important item.

Mr. STERLING. I had in mind that it would figure about 96, but I am not sure that I am correct about it.

Mr. HANNA. That basis was taken simply for the convenience of figuring. They paid the market value of the bonds and par for the stock.

Mr. STERLING. You consider, then, that you got 100 for what you paid 110 two years before?

Mr. HANNA. Yes, sir; that is the way I figured it on my books.

Mr. GARDNER. Are you not overlooking the fact that in the meanwhile your holdings had been added to by the issue of stock at par, which brought down your average purchase price below 110?

Mr. HANNA. No, sir; I am not overlooking that fact. Of course the average cost to the stockholder was less than 110, as a matter of course, because he got as 7,000,000 would be to 22,000,000—he got that proportion of his stock at par, as against 110 for his original stock. So the loss was not actually 10 points.

Mr. GARDNER. That is what I wanted to bring out.

Mr. STERLING. I do not understand there was any water in this additional stock which had been issued, was there?

Mr. HANNA. There was 100 cents of good money paid for every dollar's worth of that stock issued.

Mr. STERLING. That is, it went into betterments, all of it? It was all paid in cash, was it?

Mr. HANNA. Yes, sir.

Mr. STERLING. But put into the company.

Mr. HANNA. Put into the company.

Mr. YOUNG. Of course this increase in stock made a larger number of shares on which to earn dividends, so while you increased the value and improvements on the one side, you had also increased stock on which you had to pay dividends?

Mr. HANNA. Yes; but we were not very proud of 4 per cent on it.

Mr. GARDNER. Judge Sterling asked if you did not sell for 100 that for which you had paid 110 a short time earlier. What I wish to bring out is that you had not paid 110 for your entire holdings, but your average——

Mr. HANNA. Our average cost us a little less than 110.

Mr. YOUNG. It figured out that at one time?

Mr. HANNA. Yes.

Mr. YOUNG. The first payment was 107, and it was not figured out after the second payment?

Mr. HANNA. It may have been 107 or 108 as against 110 originally paid. However, those who were fortunate enough to be able to carry their bonds got a good bit more than that. The people who had to part with their bonds immediately upon the receipt of the stock in exchange of course had to take a loss on the stock.

Mr. STERLING. What are United States Steel bonds worth now?

Mr. HANNA. One hundred and six.

Mr. LITTLETON. Mr. Hanna, at the risk of duplicating what you have already testified to, I want to ask a few questions.

You gentlemen who bought the Tennessee Coal & Iron Co. stock, as you have said, bought it for a permanent improvement and development of the mining interest and of the mining industry?

Mr. HANNA. And manufacturing; yes.

Mr. LITTLETON. Therefore, you found it necessary to make three additional issues of stock, did you not?

Mr. HANNA. We made three additional issues.

Mr. LITTLETON. And I think you have given the proportion, but I do not carry it in my head or was not here, as to what the three issues bore to the original issue?

Mr. HANNA. I think the first two issues were about $3,500,000 each, and the third issue, as I recall, was $3,750,000, the first payment on which had only been made the 15th of October preceding the sale, so that the corporation, in settling with the stockholders, paid them only on that one installment which they had paid on the third issue of the stock.

Mr. LITTLETON. Did they take over the third issue themselves?

Mr. HANNA. Yes.

Mr. LITTLETON. And became obligated to pay it?

Mr. HANNA. Yes; they went on and completed the improvements, because the improvements called for an expenditure of that $3,750,000, and were largely, if not wholly, under contract at the time the transfer was made.

Mr. LITTLETON. So that made $10,750,000?

Mr. HANNA. Somewhere between $10,000,000 and $11,000,000; I do not remember the exact figures.

Mr. LITTLETON. Over $10,000,000 which had been added to the original issue?

Mr. HANNA. Yes; $7,000,000 of which in round numbers had been issued.

Mr. LITTLETON. I understand that the owners of the original stock were the subscribers to these three new issues?

Mr. HANNA. The stock was taken up, as to the first two issues, to a share, as I think I stated before you came in. The underwriting syndicate which was organized to take this stock did not get a single share of the stock.

Mr. LITTLETON. As to the third issue, you say that the first payment had been made in October preceding the time this exchange of bonds and stocks was brought about?

Mr. HANNA. Yes, sir.

Mr. LITTLETON. So that the stock subscribed for or taken by the original syndicate was all taken?

Mr. HANNA. Not all of it; no, sir. The privilege of taking it was extended to all of the stockholders, as in the two preceding issues.

Mr. LITTLETON. What was the payment that had been made? What percentage was paid?

Mr. HANNA. My recollection is 20 or 25 per cent. I think it was either four or five payments, which extended over a period of about a year. Our calculation was to have the proceeds of this stock come in about as the work would be completed which we had contracted for.

Mr. LITTLETON. Was that stock readily taken as to the last issue?

Mr. HANNA. There was more than $3,000,000, I think. Three million two hundred odd thousand is my recollection, out of $3,750,000. There was an underwriting syndicate formed to take care of that balance.

Mr. LITTLETON. It was taken by the syndicate?

Mr. HANNA. It had been provided for by the syndicate if these conditions had not overtaken the company.

Mr. LITTLETON. In exchange for the Steel Co. securities, the Steel Co. provided for the owners of the Tennessee Coal & Iron Co. on the last issue to the extent of 20 or 25 per cent, which had been paid in October?

Mr. HANNA. Yes, sir.

Mr. LITTLETON. You said you and Mr. Schley, as the syndicate managers, under a syndicate agreement——

The CHAIRMAN (interposing). Will you file that agreement, Mr. Hanna?

Mr. HANNA. Yes.

(The agreements referred to appear at the end of this witness's testimony at the end of the day's proceedings.)

Mr. HANNA. There were two different syndicate agreements. There was an addition to the syndicate of forty-odd thousand shares after the original syndicate, and a second agreement was drawn covering that additional number of shares and signed by the subscribers to that additional number of shares. This paper which I hold in my hand is in one case one of the originals. There were a number of copies made and not all signed; that is, one copy was not signed by every subscriber.

Mr. LITTLETON. They are duplicate originals?

Mr. HANNA. Yes, sir. This is No. 2 to which I have referred. It is all made out. I have not signed it, for illustration, but it embodies syndicate agreement No. 2, as we term it. This is a copy of the original syndicate agreement, to which there were these four names attached. As I say, there were a number of different copies of these different subscriptions, different subscribers signing the different copies.

Mr. BEALL. They were all signed?

Mr. HANNA. Yes, sir; but not all on the one copy.

Mr. LITTLETON. As you said, you had no idea, as the syndicate manager or a member of the syndicate, of disposing of the stock of the Tennessee Coal & Iron Co. until this matter arose here?

Mr. HANNA. No, sir; it never was discussed seriously by anyone officially identified with the company, to my knowledge.

Mr. LITTLETON. I take it when you received the information you regarded it as more or less of a surprise that there was a suggestion that this property should be disposed of?

Mr. HANNA. I do not know that; I did not know that the condition existed that demanded it be disposed of.

Mr. LITTLETON. As to that exact condition, of course, as manager of the syndicate, you and Mr. Schley stood in a position to at all times protect the property and the shares of stock which represented the property in the hands of both the minority and the syndicate owners of the stock?

Mr. HANNA. The syndicate owners of the stock stood in that position. I do not know that we had that authority with reference to the minority.

Mr. LITTLETON. But holding as large a majority of the stock as you did——

Mr. HANNA (interposing). Protecting the minority, as a matter of course.

Mr. LITTLETON. Therefore you would not have put the claims of Moore & Schley as a brokerage or banking concern, and their welfare, under ordinary circumstances, above the welfare and interest of those for whom you and he stood as managers of the syndicate?

Mr. HANNA. That would depend somewhat, Mr. Littleton, upon just what those conditions were.

Mr. LITTLETON. I mean this, for instance: Suppose in times of profound peace Moore & Schley were about to fail, and suppose it required you to dispose of the syndicate ownership stock, you as a business man would have a perfect right to say you would not; that you were not obliged, acting for others than yourself, in order to protect Moore & Schley, to undo a great scheme of improvement and to change the whole course of a great improvement simply to preserve them?

Mr. HANNA. You are stating a very different condition from what did exist.

Mr. LITTLETON. I know I am.

Mr. HANNA. I might go further in the way of explanation and say that the syndicate, or at least the majority part of the syndicate—a very large percentage of the syndicate—were very warm friends of Mr. Schley. What they might have done under those conditions I do not know.

Mr. LITTLETON. Mr. Schley as an individual member of the firm was a member of the syndicate, but the firm of Moore & Schley as a firm owned none of this stock?

Mr. HANNA. No; but naturally the firm knew many of the sales that were made; knew the stockholders of the syndicate and of the free stock, of which there was a very considerable amount, and who were doing business with Moore & Schley, as a matter of course; and the stock was placed in that way into the hands of Moore & Schley as collateral.

Mr. LITTLETON. I take it the original 10 members of the syndicate, from their names and positions, were well able to protect their purchase, and to cover any additional purchases they made at that time at any time they chose.

Mr. HANNA. I think so, yes; I think that is a fair inference.

Mr. LITTLETON. And is it not probable there were many loans between members of the syndicate and Moore & Schley on stock which they had bought?

Mr. HANNA. As to that I do not know as I am qualified to speak. I do not know what the individual relationship might have been between the various parties and that firm.

Mr. LITTLETON. The matter was presented to you that unless this Tennessee Coal & Iron stock, which was variously distributed as collateral in New York City, was taken up or protected, it having become more or less—I can not use a better word than contraband or condemned—that unless it was taken up, the loans of Moore & Schley

would be called, and being called and they not being able to meet them, it would result in their failure, and that failure would be like a tenpin falling over and knocking over others?

Mr. HANNA. That was the condition that it was well understood existed at that time, that this was the first brick of the row in that class of houses.

Mr. LITTLETON. Were you able to determine—Judge Gary was not and I don't know whether you ever got further into it than he did—as one who was not anxious to dispose of the stock and who was more or less surprised at the prospect of it, just what was the acute and direct cause of the condemnation of the Tennessee Coal & Iron stock as collateral?

Mr. HANNA. I think to some extent—at least, I have an opinion.

Mr. LITTLETON. Will you state it?

Mr. HANNA. In the first place, the stock is what is termed in the Street as peg stock, from the fact that a very large majority of the stock was under a syndicate agreement for a specified time. I think any stock occupying that position might be, on the part of the bankers, considered what you term a contraband stock. I think that in its general terms it was such a stock, a stock of the character of the Tennessee. The company was in process of further development. It had been a football in the Street for many years and had not very many friends. The legitimate side of the company had not kept pace with the pace of the steel industry of the country. The property was not very well regarded except under abnormally prosperous conditions of the steel industry. Then they always managed to get the price of it marked well up. I think that, too, with its past experience and the fact that it had been a football in the Street for many years preceding, it was still tinctured, even under the new control, with its old reputation to some extent.

Mr. LITTLETON. Those loans that had been made—$6,000,000, in round numbers—by Moore & Schley at the various banks, were loans of recent date, were they not?

Mr. HANNA. As to that I am not posted. I do not know. I suppose some of them were. I suppose all of those loans could not be——

Mr. LITTLETON. Did you hear, as a matter of fact, of any bank which actually notified Moore & Schley that they must eliminate from their loan with that bank the Tennessee Coal & Iron Co. stock as collateral?

Mr. HANNA. I do not recall ever having heard of a particular bank's name, but the fact that that condition did exist; yes.

Mr. LITTLETON. You heard of that?

Mr. HANNA. Yes.

Mr. LITTLETON. Did you hear that that condition existed with various banks in which Tennessee Coal & Iron Co. stock was put up as collateral?

Mr. HANNA. I understood it existed in several banks. Whether in all in which the stock rested as collateral I do not know.

Mr. LITTLETON. Did you have any idea how much of the free stock had passed into the hands of Moore & Schley and by them rehypothecated in loans?

Mr. HANNA. No, sir; I never had any correct tab upon the amount of free stock in Moore & Schley's office. I know how much free stock

there was out, but how much of it was located there was entirely foreign to the syndicate managers' business, and none of my business, and I never asked the question and never had any information about it.

Mr. LITTLETON. I believe you said there were 100,000 shares?

Mr. HANNA. In round numbers. At the time the sale was made to the corporation there were in existence, I think, about 290,000 and odd shares of stock. I think there were about, as I recall it, 190,000 of it under the syndicate agreement. Those figures might vary 10,000 shares from the figures I have named.

Mr. LITTLETON. If, for instance, you did not wish to sell and the steel company did not wish to buy—in other words, if it had not been as you say and as Judge Gary said, the intention of either the one to sell or the other to buy, and if the condition which brought about this transaction was the peril of the hypothecated stock in the loans of Moore & Schley, did anybody you know of make an investigation to find out the exact status of those loans, the exact call that had been made, and the proportionate amount of the stock which was supporting those loans?

Mr. HANNA. Only so far as some investigation, I think, which Mr. Ledyard made.

Mr. LITTLETON. He probably would know about it?

Mr. HANNA. I think probably he would know about it. How much and how thoroughly he knows or how thoroughly he investigated into the details, I do not know; but I think he would be better qualified to speak than I am now.

Mr. LITTLETON. At what figure did the negotiations begin as to the price of the Tennessee Coal & Iron Co. stock, if you know.

Mr. HANNA. The first intimation I had was over the telephone. I think it was 10 points below the price we figured the ultimate deal netted us.

Mr. LITTLETON. In other words, 90?

Mr. HANNA. About 90, as I recall it.

Mr. LITTLETON. Then the negotiations, whatever they were, resulted in an advance in price from the first suggestion of 10 points?

Mr. HANNA. I am not sure that that is the exact figure, but they were in the final negotiations advanced considerably above the figure first suggested.

Mr. LITTLETON. Did you know or did you hear of any other collateral which Moore & Schley had to their loans?

Mr. HANNA. I knew nothing about Moore & Schley.

Mr. LITTLETON. Of course I am aware you did not, but you can see what I am driving at. Inasmuch as one did not want to sell and the other did not want to buy, Moore & Schley naturally became a place of great concern to both sides. That is, your attention must have been directed to them, because it was their failing institution which must be supported. Was any inquiry made as to whether there was any other collateral which they had with these various banks which they had been asked to eliminate from their loans?

Mr. HANNA. I can not speak authoritatively on that subject; I do not know. Schley himself is the best authority on that subject. He will appear here before this committee, I understand.

Mr. LITTLETON. Those loans supported by the Tennessee bore as 6 is to 38, and as the record shows on the loans which Moore &

Schley had out; that is, they had about $38,000,000 of loans at the various banks, and $6,000,000 of those loans were supported by the Tennessee Coal & Iron Co.'s stock?

Mr. HANNA. You mean $6,000,000 of cash they had received? It is fair to assume they had more than $6,000,000 of Tennessee Coal & Iron Co. stock up as collateral, because the banks were not loaning on Tennessee Coal & Iron Co. stock at par.

Mr. LITTLETON. In other words, there would be——

Mr. HANNA (interposing). The chances are they had $6,000,000 of money out of their Tennessee collateral.

Mr. LITTLETON. At about 6 per cent?

Mr. HANNA. I do not know. I do not know how New York bankers figure on those things.

Mr. LITTLETON. Did you hear at any time whether there had been any elimination of other collateral generally on the street at that time?

Mr. HANNA. Only in a general way. I heard more or less discussion of that subject, that all the banks were throwing out the material that they had and which, under other conditions, they would have been very willing to carry.

Industrials, I think, they were particularly very careful about; not all, because some of them were in that stage of security where they were as well considered as the railroads.

Mr. LITTLETON. Would not a banker in times of great disturbance and threatened disaster like that, even though the collateral was a weak collateral, even though it would, as a bank, like to strengthen it or substitute something for it—would not a good business policy and the sounder judgment dictate to him that the very worst thing he could do, if he was going to cause a failure of a big firm like Moore & Schley, would be to call a loan and precipitate a panic, or accentuate one that already existed?

Mr. HANNA. I have had very little experience with matters of that character, and I do not know. I understand the point you are making, but I do not know. I suppose, like all other questions, there would be various opinions upon that.

Mr. LITTLETON. Everybody was greatly distressed in New York?

Mr. HANNA. Yes.

Mr. LITTLETON. And the banks were keenly sensitive of the situation?

Mr. HANNA. Yes.

Mr. LITTLETON. And they of all people were anxious to keep the crowds away from their doors, because it seemed to be kind of a bank panic at best; everybody seemed to be running on the banks.

Mr. HANNA. It started as a bank panic.

Mr. LITTLETON. And would they not save the situation by keeping their mouths shut about the collateral, instead of going and knocking around at a weak concern, which was in that condition? Could they not have saved the situation by sitting still and keeping quiet?

Mr. HANNA. They might have minimized it. I do not know that they could have saved it. It is hard to conceal those things, because there are so many interests involved.

Mr. LITTLETON. You do not know, of course, what the balance of the loans was that Moore & Schley had out?

Mr. HANNA. No, sir.

Mr. LITTLETON. Or what peril there was connected with them?

Mr. HANNA. No, sir. I have no knowledge whatever, except of a most general character, and that not in a way which qualifies me to speak on the subject at all.

Mr. LITTLETON. In what way did the information come to you that this exchange would save Moore & Schley?

Mr. HANNA. By long-distance telephone communication from Mr. Schley himself.

Mr. LITTLETON. From where?

Mr. HANNA. Cleveland and New York.

Mr. LITTLETON. If I put this wrong, please take the liberty to correct me, because I do not want to prolong the examination unnecessarily, merely desiring to see if I do understand the situation.

Did he say in substance that it would require a sale of the stock which the syndicate controlled, to the United States Steel Co., in order to save Moore & Schley?

Mr. HANNA. I do not recall that he put it in just that form. I think he said that the judgment of his friends with whom he had consulted, was that that was the necessary thing to do.

Mr. LITTLETON. Sell the syndicate stock?

Mr. HANNA. Sell the syndicate stock.

Mr. LITTLETON. Of course, it was about 190 as to 100, as to the free stock ouside?

Mr. HANNA. Yes.

Mr. LITTLETON. When you got here was the thing made any more clear to you by anybody else as to the necessity of the sale of the stock? Were any more reasons given or any more details for the reasons that had already been assigned?

Mr. HANNA. No; because I do not think that I conferred with anyone else. I was for two or three days pretty nearly constantly in conference with the one crowd of people. I do not recall that that matter was even discussed outside of Mr. Schley and Mr. Ledyard, who was acting as counsel for the syndicate managers.

Mr. LITTLETON. Did you ever talk with Mr. Morgan about it?

Mr. HANNA. Not personally. I did not see Mr. Morgan during the several visits we made to his library.

Mr. LITTLETON. Do you know if, when the exchange was made of bonds of the Steel Co., that those loans were loans from which the Tennessee Coal & Iron had been withdrawn?

Mr. HANNA. No; I did not know that. I assume they were.

Mr. LITTLETON. I suppose each man in the syndicate got his pro rata allotment of bonds?

Mr. HANNA. Yes.

Mr. LITTLETON. Did they come in and take their place under the syndicate and with Moore & Schley?

Mr. HANNA. I suppose where a syndicate member had stock up in Moore & Schley's hand, if they were indebted to Moore & Schley, yes; but in many cases they had paid for their stock, and their stock was in their own possession. In that case they simply took the bonds when the bonds were issued.

Mr. LITTLETON. Do you have any idea how much of the 190,000 shares under the syndicate agreement was then in Moore & Schley's hands?

Mr. HANNA. As collateral?

Mr. LITTLETON. Yes; as collateral, held by them.

Mr. HANNA. No; I do not know the exact figures. I do not know as I even know that approximately. I do not recall as I ever knew exactly that that question was raised to the point that I was told.

Mr. LITTLETON. I was wondering if it is true that after the exchange was made these banks that had indicated that Tennessee was getting softer all the time as collateral and did not satisfy them, required the substitution of bonds as collateral, which dictated the bringing about of the whole transaction.

Mr. HANNA. That is a guesswork proposition. I do not know any means of knowing that or what idea prevailed with the people who bought the property. I question it myself, and I do not think now there was anything. I have no way of knowing, but my own judgment is to the contrary.

Mr. LITTLETON. I feel this way about it: If there was a necessity for saving Moore & Schley because of this collateral being weak, and if nothing on earth seemed to be a specific cure for that situation except its exchange, then naturally when the exchange had been effected, the bonds ought to have found their way into these loans, because the loans were not paid off.

Mr. HANNA. I assume the bonds did. I think the bonds, or many of them, judging from the extent of the transaction in Steel fives after the deal was completed and the bonds delivered—there were some days intervened before the Steel Corporation were in shape to deliver all the bonds—but judging from the extent of the operation in Steel fives, I assume many of them were forced to sell immediately following the deal. In that case I suppose the loans were cancelled——

Mr. LITTLETON (interposing). Is it not rather a singular thing that the judgment of an iron man like yourself, and your syndicate, all men of experience, and the judgment of the Steel Co. met on a common ground of nearly par for the Tennessee Coal & Iron Co., measured by the high standard of the security in the market, and yet those banks got nervous about it and would not let them stay as collateral in those loans?

Mr. HANNA. I can see quite a difference in the manner of looking at a stock of that character, Mr. Littleton, as between a banker and an iron and steel man. That is very often so, I think. You may have confidence in a thing that you know all about, but its reputation is not established as a dividend earner, and not upon a solid foundation or basis, and I do not suppose they considered Tennessee established, especially in the light of its past reputation and experience, upon that solid foundation. I suppose they naturally were looking at it as rather a doubtful collateral, especially under conditions then existing.

Mr. LITTLETON. Still, there were many of those gentlemen in the syndicate who were also in the banking business or directors of the banks. I think I ran over their names a moment ago, and I should say a goodly number of them were on the boards of directors of the banks.

Mr. HANNA. The New York members of the syndicate, I presume, were possibly with different banks.

Mr. LITTLETON. And the same was true of the Steel Corporation, that many of their officers were also on the boards of banks. So the transaction was really being carried on by a group of bankers on one side and the group of bankers on the other side. I was wondering why they fixed the value of these securities at about par, if

Tennessee would not have been all right for the banks when making the loans to Moore & Schley. Maybe I do not understand it.

Mr. HANNA. There is a question there—I do not know about it; I think we would have to examine each individual.

Mr. STERLING. Would not the fact, as Mr. Hanna stated a while ago, that these bonds were bound up in this syndicate agreement, affect the bankers; because the bankers would want something that they could realize on, would they not?

Mr. HANNA. That they could sell if the party making the loan failed to meet it; yes.

Mr. LITTLETON. When you spoke, I had an idea about what you meant was that really they did not know exactly the situation. That is, they did not know there was a time limit on this syndicate, and when that time comes the flood-gates would open, and the market would be flooded with the stock.

Mr. HANNA. The time was due the following February, but we were already active in extending as a company, in the midst of our new construction and general improvement of the property, the syndicate managers were, and, in fact, I think, enough of them to control were all agreeable to a further extension of the syndicate agreement, but a conclusion had not been reached.

Mr. LITTLETON. I suppose what they were afraid of was, in the event of the ending of the syndicate, the stock would be thrown upon the market?

Mr. HANNA. Every individual would be free to do as he chose with his stock.

Mr. LITTLETON. Have you been asked about the estimated ore values of the Tennessee Coal & Iron Co.?

Mr. HANNA. Quite extensively, I believe.

Mr. LITTLETON. It is variously estimated at from 400,000,000 to 700,000,000 tons of ore.

Mr. HANNA. The time I was connected with the company, it was estimated at from 400,000,000 to 500,000,000 tons, but it was very largely an estimate. The property had not ben drilled to the point where any satisfactory or positive figures could be made as to the iron ore at all.

Mr. YOUNG. Who was president of the Tennessee Coal & Iron Co. at the time, Mr. Hanna?

Mr. HANNA. John H. Bacon when we bought the property.

Mr. YOUNG. Did he remain with you?

Mr. HANNA. No, sir; Mr. Bacon resigned within a few months after we secured the property.

Mr. YOUNG. Who succeeded him?

Mr. HANNA. We never elected a president. Mr. Topping became chairman of the board, and performed the duties of president pending the time we were looking for the sort of man we wanted.

Mr. GARDNER. There is one matter I would like to clear up a little. You spoke of Mr. Ledyard all through as your counsel. We have had persons before this committee who said Mr. Ledyard was counsel for Col. Payne, and that your counsel was Mr. Thomas Thatcher.

Mr. HANNA. Mr. Thatcher was counsel for the Tennessee Coal & Iron Co. In these negotiations Mr. Ledyard acted as legal adviser of the syndicate managers. I do not know whether the term "counsel" was properly applied.

Mr. YOUNG. That is just what I wanted to understand.

Mr. HANNA. So far as the several conferences at which I was present are concerned, Mr. Thatcher was present also once or twice, he being also personal counsel of Mr. Schley; but Mr. Ledyard was also present at all the conferences and acted in an advisory capacity.

Mr. YOUNG. For the syndicate managers?

Mr. HANNA. Yes, sir; he had no connection with the company.

Mr. YOUNG. But I was wondering who paid his bill. Did Col. Payne pay his bill, or did the syndicate managers pay his bill, or, perhaps, like Mr. Littleton, he would not render any bill?

Mr. LITTLETON. Now, do not bring that up. [Laughter.]

Mr. HANNA. I did not pay any bill; I do not know who did pay the bill.

Mr. BARTLETT. Did the syndicate managers pay anybody for legal services?

Mr. HANNA. No, sir.

Mr. LITTLETON. Can you state what you think was the specific and steadying effect upon the financial situation which was brought about by the exchange of these stocks?

Mr. HANNA. The willingness upon the part of the banking interests to accept the sinking-fund fives of the corporation as a substitute for Tennessee; possibly, some other collaterals, but of that I know nothing. There was a ready and active market at all times for the bonds. There was absolutely no market for the Tennessee stock. I do not believe a dozen shares could have been sold without breaking the market 10 points. I think 5,000 shares would have doubled that number of points.

Mr. LITTLETON. Then just at that time you could not procure money on almost anything you had, could you?

Mr. HANNA. I could not. I do not know about the average.

Mr. LITTLETON. Was it not a fact that a Government bond would be of very little use?

Mr. HANNA. The banks did not have the money.

Mr. LITTLETON. That is what I mean.

Mr. HANNA. It was not variable. So-called rich people did not have the money.

Mr. BARTLETT. You do not recall how much of the $50,000,000 deposited by the Secretary of the Treasury; is it not a fact that along about the 25th of October the Treasury Department had deposited some $50,000,000 in the banks to relieve the situation?

Mr. HANNA. It was not all deposited in New York, as I recall. It was distributed all over the country. New York got the majority share, being the financial center of our country, but whatever the amount was—I do not recall the total amount—a great deal of it went elsewhere than New York.

Mr. BARTLETT. Do you not recall that the State bank examiner, Mr. Williams, along about the 26th day of October, made a statement in the papers in which he said that the situation was very much improved following his examination of the banks, and following the deposit of the money by the Secretary of the Treasury in the banks in New York?

Mr. HANNA. That statement, I think, followed within a very short time after the failure of the Knickerbocker Trust Co., which was the first brick in the bank line that went over; but it came along later on that there was a second spell of bad weather, as I recall it, after the Government had furnished this money.

Mr. LITTLETON. Was it not a fact that on account of the insecurity which the people felt that some banks, of course, had a plethora of deposits, and others had a depletion, that they would take their money out of one bank and put it in a stronger bank in the hope of having a more secure place to deposit it?

Mr. HANNA. There was a story abroad at the time that a great deal of money was actually taken out of the banks and locked up.

Mr. LITTLETON. I presume that is so.

Mr. HANNA. That is always the case under those conditions.

Mr. LITTLETON. It has been stated that Morgan & Co. had on hand enormous amounts of liquid assets at that time. Do you know anything about that?

Mr. HANNA. No, sir.

Mr. LITTLETON. It has been said the president of the Stock Exchange went so far as to say he would close the exchange in the afternoon of a bad day in the panic if Morgan & Co. did not come to his rescue and put some money on the floor.

Mr. HANNA. In saying "Mr. Morgan," did he not speak of the interests that Mr. Morgan represented rather than Mr. Morgan individually? He was spokesman, as I understand it, at that time of the committee that was acting.

Mr. LITTLETON. I speak always of Mr. Morgan as a composite personality. When I speak of him I speak in that way, and I do not mean Mr. Morgan individually.

Mr. HANNA. I remember well having been in New York on the day of the great strain, when a certain amount of money, it was intimated, would be furnished institutions in acute trouble, and it ran along up to within a few minutes of the closing time of the Exchange and the banks before the money was forthcoming. I very well recall the strain running through the financial district on that particular day.

Mr. BARTLETT. You spoke about the Knickerbocker failure. They closed their doors two weeks before this sale by the Tennessee Coal & Iron Co., did they not?

Mr. HANNA. Oh, yes.

Mr. BARTLETT. The statement was made in the public press that Mr. Morgan and Mr. Rockefeller and their interests had come to the rescue of the situation by advancing $60,000,000.

Mr. HANNA. I do not recall the figures.

Mr. BARTLETT. Was that statement made that they had come to the rescue by advancing some large sum?

Mr. HANNA. Mr. Morgan and the interests for which he acted as spokesman furnished a considerable amount of money.

Mr. BARTLETT. I said the Morgan and Rockefeller interests.

Mr. HANNA. I do not know who were the contributors.

Mr. BARTLETT. I simply asked if that statement was not made in the public prints, that they had come to the relief of the situation by advancing $60,000,000.

Mr. HANNA. I do not remember the figure you named. I remember the statement was that Mr. Morgan and the interests acting with him had furnished some money, but the amount I do not recall.

Mr. BARTLETT. And that, too, was some 10 days before the sale of the Tennessee Iron & Coal Co., was it not?

Mr. HANNA. The panic was not over in a day, nor a week, nor two weeks.

Mr. BARTLETT. I did not say that.

Mr. HANNA. I said that.

Mr. BARTLETT. I asked if that was not the fact, that that was the statement made, that those gentlemen had come to the relief of the situation, and that statement was made some 10 days before the sale of the Tennessee Coal & Iron Co.

Mr. HANNA. I do not remember the interim of time between those events.

Mr. BARTLETT. Was it before, whether a day or a week?

Mr. HANNA. It was 4 or 5 days at least, and may have been 8 or 10 days. I do not recall, because I was not here the last 3 or 4 days before this transaction.

Mr. BARTLETT. It was before, nevertheless.

Mr. YOUNG. Is it not a fact that during the panic pretty nearly everybody who would be listened to, and who wished to save the situation, was making the most reassuring statements to the public possible?

Mr. HANNA. As a matter of policy, I think; yes.

Mr. YOUNG. They were all doing it, and really representing the situation according to their hopes rather than——

Mr. HANNA (interposing). I think there was a hope of bettering conditions, allaying the great excitement that existed.

Mr. BARTLETT. The President said the panic was over, and that these gentlemen had saved the country.

Mr. BEALL. Mr. Hanna, all these other members of the committee are from cities, and I judge from their questions they are thoroughly familiar with the New York methods of doing business, and probably with Wall Street methods. I am from the country. Would you mind conducting a little school of instruction for me for a little while?

Mr. HANNA. I am not a New York man or a banker, or in any sense a financial man, and for that reason I think that is a little out of my sphere. Many of these question, I think, had better be asked of people better qualified to answer than I consider myself. I am nothing but a plain everyday business man.

Mr. BEALL. I think you can give me the information which will enlighten me a little bit. I understand that the first part of 1907 was exceptionally prosperous as a season in the steel business.

Mr. HANNA. 1907 was one of the most prosperous years up to the latter part of October that the steel industry has ever known.

Mr. BEALL. Did not other industries enjoy a like degree of prosperity?

Mr. HANNA. That would follow without saying. The steel industry can not be prosperous without the country as a whole is prosperous.

Mr. BEALL. The railroads were prosperous?

Mr. HANNA. Necessarily. Whenever the steel business is good, you need not ask any questions, in my opinion, about the prosperity of the railroads.

Mr. BEALL. The banks in New York had plenty of money, and there was plenty of money throughout the country during that time?

Mr. HANNA. I would not say they had plenty of money, at least not at this particular time; but through the year, yes.

Mr. BEALL. There was a feeling of a general era of prosperity during half or two-thirds of the year 1907?

Mr. HANNA. I think so.

Mr. BEALL. What, in your opinion, did bring about that fact?

Mr. HANNA. That is a mere matter of personal opinion, perhaps, and a very long story. I do not believe that has any bearing upon this present situation.

Mr. BEALL. Did I understand you to say the panic was a bank panic?

Mr. HANNA. The first one closed was the Knickerbocker Trust Co.

Mr. BEALL. Here in the city of New York?

Mr. HANNA. Here in the city of New York. That was the first break, was it not? Mr. Littleton is a New Yorker and can speak upon that with better authority than I can.

Mr. LITTLETON. I think it was.

Mr. BEALL. That occurred in October?

Mr. HANNA. I do not recall the part of the month, but it was in October.

Mr. BEALL. You spoke about this Tennessee Coal & Iron Co. stock being sort of a football about the streets and being tainted with suspicion, and so forth?

Mr. HANNA. I do not know that I used the word "suspicion."

Mr. BEALL. Something equivalent to it.

Mr. HANNA. It had been a very active stock in the Street for many years.

Mr. BEALL. I understand you had issued new stock to the extent of $7,000,000 prior to this issue of the 15th of October, 1907?

Mr. HANNA. Yes, sir.

Mr. BEALL. And that had found a very ready sale.

Mr. HANNA. Among the stockholders of the company.

Mr. BEALL. There had been no trouble, and the Underwriters' Association did not have to take up any of that stock?

Mr. HANNA. No, sir. That transaction was quite unique, because it was one where the company financed it to a considerable extent without much cost to the company.

Mr. BEALL. That would indicate there had been a revival of confidence in Tennessee Coal & Iron stock under the new management, would it not?

Mr. HANNA. Yes, sir; but the people that took the stock were the people that were active in the Tennessee. I do not know how much confidence it might have carried if it had been thrown open to the public and offered to the public.

Mr. BEALL. Does not that have its effect in the eyes of the public generally?

Mr. HANNA. I think, as a rule, that is true; yes, sir.

Mr. BEALL. You did not give the public a chance to buy it at all, did you?

Mr. HANNA. We could not do so, in justice to our stockholders.

Mr. BEALL. The stockholders bought it all?

Mr. HANNA. Every share.

Mr. BEALL. You put on the market about the middle of October, just at the beginning of the panic, about $3,000,000 more of the stock?

Mr. HANNA. $3,750,000 was the issue. It was all agreed to months and months in advance of October, but the first payment on the new issue came due on the 15th of October.

Mr. BEALL. And of that $3,750,000 about $3,200,000, I understood you to say, was subscribed promptly?

Mr. HANNA. That is my recollection; yes, sir.

Mr. BEALL. The underwriters had only to care for the balance?

Mr. HANNA. That is correct.

Mr. BEALL. When the panic came on, of course it affected to some extent the price of Tennessee stock. It affected the price of railroad securities, did it not?

Mr. HANNA. I do not think there was any security that escaped.

Mr. BEALL. It affected even the price of United States Steel Corporation securities?

Mr. HANNA. I think it went down as far as United States Government bonds.

Mr. BEALL. Even affected United States Government bonds?

Mr. HANNA. Yes, sir.

Mr. BEALL. Do you know whether the stock of the Tennessee Coal & Iron Co. was affected any more than the stock of this other concern that you named?

Mr. HANNA. Taking the price at which we sold the Tennessee stock as a basis, I think it suffered materially less than many others.

Mr. BEALL. You think it really suffered less than the generality of all stocks?

Mr. HANNA. I think so; yes, sir; at the price at which we sold. If we had put that same amount of stock on the market, I might have to give another answer.

Mr. BEALL. At that time you probably could not have sold it on the market?

Mr. HANNA. No.

Mr. BEALL. You could not have sold these Steel seconds on the market?

Mr. HANNA. There was more or less transaction in Steel bonds at low prices. There are always a few people who have got a few dollars tucked away in their stocking to buy a good thing when it is offered cheap.

Mr. BEALL. As a general thing, there would not have been any cash market for it?

Mr. HANNA. No; not for any very great amount.

Mr. BEALL. Nor for any other like securities?

Mr. HANNA. There was not.

Mr. BEALL. So the Tennessee Coal & Iron Co. stock did not stand in any peculiar situation during the panic time, so far as not having a market for it?

Mr. HANNA. It was no exception to the rule.

Mr. BEALL. I understand while this panic was on in New York the Secretary of the Treasury put at the disposal of New York and other cities—probably a major portion of it in New York—probably $50,000,000. That did not stop the panic, did it?

Mr. HANNA. No, sir; it did not.

Mr. BEALL. I notice in some of the testimony it is stated that Mr. Morgan, in his efforts to stop the panic, threw probably $60,000,000 of money into the situation—and when I speak of Mr. Morgan I speak of him and those associated with him—in his effort to stop the panic; that he had put at the disposal of the banks here in the city of New York about $60,000,000. That did not stop the panic, did it?

Mr. HANNA. No, sir.

Mr. BEALL. Can you tell me why taking up the $5,000,000 or $6,000,000 of loans that were secured by the Tennessee Coal & Iron stock effected that which the United States Secretary of the Treasury could not attain, and that which Mr. Morgan, with his $60,000,000 thrown into the banks of New York did not attain? Can you give any explanation of that?

Mr. HANNA. The only explanation which I would feel capable of giving is one I made this morning: That the panic up to that time had not reached any of the important houses doing the character of business that this house which was involved was doing, and the situation was understood to include quite a number; that if they were not taken care of it would only be the first brick in another row of very important failures.

Mr. BEALL. Had it not reached a very vital spot in New York when it reached the banks?

Mr. HANNA. Yes; I think so.

Mr. BEALL. Would not the failure of a bank in the city of New York affect the market conditions and the panic conditions a good deal more than the failure of Moore & Schley? Is that not the most vital part they could affect?

Mr. HANNA. Undoubtedly, in the individual case of any one important bank. Of course, a great many banks had already failed.

Mr. BEALL. There was not a general run on the banks?

Mr. HANNA. There had been a great many failures among the banks.

Mr. BEALL. Those failures affected not only the ones involved, but hundreds of millions of dollars behind them. As a consequence of some of those runs, were not multiplied millions of dollars taken out of the banks?

Mr. HANNA. Yes; I suppose so.

Mr. BEALL. I would like you to state again what it was, in your judgment, that made the exchange of the securities for these $6,000,000 of Tennessee Coal & Iron stock so vital in stopping that panic?

Mr. HANNA. Do you know that $6,000,000 is all there was involved?

Mr. BEALL. That is the information before this committee, that Moore & Schley had only $6,000,000 of loans.

Mr. HANNA. I do not know to the contrary, but you are speaking of only one stock as collateral. It has been stated here to-day that behind that $6,000,000 was $32,000,000 more with other loans, so that it was $38,000,000.

Mr. BEALL. But the exchange of this stock did not affect that $32,000,000, did it?

Mr. HANNA. It may have saved the failure of the firm, and the $32,000,000 would have been involved the same as the $6,000,000.

Mr. BEALL. Is it not a fact that Moore & Schley were offered in cash more than that $6,000,000 that was secured by stock? Can you give any reason why their own deposit in the banks that held this collateral, of the actual cash that was offered to them, would not have served the same purpose that was finally served by the exchange of United States Steel stock?

Mr. HANNA. I can not answer that question.

Mr. BEALL. Can you understand why the United States Steel seconds would serve the purpose of Moore & Schley better than the actual cash that was offered to them?

Mr. HANNA. No, sir; I can not. I am not posted on that situation you are discussing now.

Mr. BEALL. If those are the facts, does it not strike you as rather a peculiar situation?

Mr. HANNA. I do not know that it does; no, sir.

Mr. BEALL. If you had had a loan of $6,000,000, secured by Tennessee Coal & Iron Co.'s stock, you would have had your choice between accepting the payment of that loan, or a continuation of the loan with United States Steel seconds as security, with the panic conditions prevailing at that time. Which would you have accepted?

Mr. HANNA. Probably if the $6,000,000 was all I had I would have accepted the cash.

Mr. BEALL. Whether that represented all you had or not, would not you have accepted the cash in the panicky times of October and November, 1907?

Mr. HANNA. If I had known it to be ample to take care of the situation—$6,000,000 might not have been ample. You are discussing a proposition about which I am not posted or advised.

Mr. BEALL. I can not understand how the substitution of this Tennessee Coal & Iron stock that was put up to support a loan of $6,000,000 could stop the panic that I think has been described as perhaps the most disastrous one in New York of which there is any record. How that could stop it when the Secretary of the Treasury could not stop it, and Mr. Morgan and his associates, with their millions thrown into the banks, did not stop it, I can not understand.

Mr. HANNA. I think I get your point of view. I think you believe, as I do not, that this sale of the Tennessee stock was a premediated plan to secure control of that property.

Mr. BEALL. It is just a financial conundrum.

Mr. HANNA. That is a matter of opinion; I have no positive knowledge about it, as I have very fully stated to this committee once or twice or three times to-day.

Mr. BEALL. When this exchange of stock was made, the situation was almost immediately relieved, or to a very marked extent, was it not?

Mr. HANNA. I think that marked the high-water mark of the panic.

Mr. BEALL. That was the turning point?

Mr. HANNA. I think so.

Mr. BEALL. When the Tennessee Coal & Iron stock went to the United States Steel Corporation, there was a feeling that the panic was over?

Mr. HANNA. Not immediately, I think. My recollection, being here 10 days following, is that there was more or less of a strain here for some days.

Mr. STERLING. It saved the fall of Moore & Schley, did it not?

Mr. HANNA. That is the supposition; yes, sir.

Mr. STERLING. If that had not been avoided, then there would have been danger of a serious panic?

Mr. HANNA. That was the understanding at the time. I know nothing about the individual case. There were many important houses similarly involved, not in that one deal, but in other deals of other character, in which the collateral was being questioned.

Mr. BEALL. I never understood the kind of business Moore & Schley were engaged in. I wish you would put that on the record

Mr. HANNA. I am not sure of the character of business they did. They were understood to be bankers and brokers in a general way.

Mr. BEALL. It has never been stated within my recollection whether they were doing a banking buisness, or whether they were stock brokers.

Mr. HANNA. Bankers and brokers, I have always understood.

Mr. GARDNER. Did I understand you to say, in reply to a question of Congressman Beall, that there was no more market for United States Steel Corporation second mortgage fives than there was Tennessee Coal & Iron Co. stock?

Mr. HANNA. No, sir; I do not want to be understood as saying so, and I do not think I did say so.

Mr. GARDNER. You gave answers which might be construed that way, in which you said there was not much market for them, and then when you were asked whether the case of the Tennessee Coal was not exceptional you said no. I want to get clear your answer.

Mr. HANNA. It was the condition of the market at that particular time, and at that particular time there was not very much market, as I recall it, for any securities.

Mr. GARDNER. As a matter of fact, if those bonds were put out—you said if a thousand shares of Tennessee Coal & Iron stock had been put on the market it would have dropped the market 10 points?

Mr. HANNA. At that particular time.

Mr. GARDNER. That is, $100,000 worth of stock. Suppose you had put out $100,000 worth of bonds of the United States Steel Corporation, how much would that have dropped the market of the United States Steel stocks?

Mr. HANNA. I do not speak advisedly of the value of United States Steel bonds. I would say a very small fraction of 10 points.

Mr. GARDNER. Would it have dropped them from 84 to 82?

Mr. HANNA. I do not think so.

Mr. GARDNER. From 84 to 83?

Mr. HANNA. I would perhaps question that. I think it would have affected the value some. I am not capable of answering just how much. The difference, Mr. Gardner, is this: That the sinking fund fives were being dealt and traded in every day; they were an active security for investment purposes in a way, and to a certain extent speculating. A transaction was almost unknown on the board in Tennessee stock. There is that difference between the two.

Mr. GARDNER. I wanted to get clear your meaning—the meaning of your answer to Mr. Beall.

Mr. HANNA. I do not know but that many of my answers may have been a little ambiguous. I am not perhaps quite as fresh as eight or ten different men are.

The CHAIRMAN. That seems to be all, Mr. Hanna, and you are excused with the thanks of the committee for your attendance and your prompt and courteous answers to the questions of the members of the committee.

The committee will now stand adjourned until half-past 10 o'clock to-morrow morning.

(Thereupon, at 5 o'clock p. m., the committee adjourned until to-morrow, Saturday, July 29, 1911, at 10.30 o'clock a. m.)

The papers referred to in the testimony of Mr. Hanna are as follows:

TENNESSEE COAL, IRON & RAILROAD CO. STOCK SYNDICATE AGREEMENT.

Agreement, dated November 27, 1905, between the subscribers severally, of the one part, and Grant B. Schley and Charles S. Guthrie, of the city of New York, hereinafter called managers, of the other part.

The subscribers hereby form a syndicate in charge of the managers for the purpose of acquiring and disposing of, or distributing, as hereinafter provided, a majority of the capital stock of the Tennessee Coal, Iron & Railroad Co.

To that end each subscriber hereto, in consideration of the agreements of the other subscribers and of the managers, herein stated, hereby agrees to bear that proportion of the total costs and expenditures of the syndicate written after his signature hereto, and to that end to pay in money to the managers upon call as hereinafter provided.

Each subscriber hereby authorizes and empowers the managers to purchase, in such manner and at such prices as they see fit (including power to adopt purchases heretofore made with this syndicate in view), such number of shares, not less than 120,000 in all, of the capital stock of the Tennessee Coal, Iron & Railroad Co. as the managers shall see fit so to purchase, and to hold, sell, or otherwise dispose of the shares of stock so purchased, with full power to borrow money thereon and with power to resell and repurchase any thereof from time to time, and ultimately to dispose of the same by sale or by exchange for the stocks, bonds, or other issues of any other corporation now existing or which may be formed hereafter, upon any terms of sale or exchange that the managers shall determine upon (their authority not to be diminished by reason of personal interest in any such corporation), and to call upon the subscribers to contribute proportionately in money to the syndicate to any extent deemed requisite by the managers, such calls to be payable immediately upon notice in writing delivered or mailed to the addresses written after the signatures of the subscribers respectively.

Each subscriber further authorizes the managers, in their discretion, from time to time to allow others to become subscribers to and participants in this syndicate, in that case proportionately reducing the shares of the previous subscribers.

The period of the operations of the syndicate shall be one year from the date hereof, with authority to the managers to extend the same for a further period of one year by notice to the subscribers, but the managers may, in their discretion, terminate the syndicate at any time.

At the termination of this syndicate such shares of the said stock, if any, as remain undisposed of and the proceeds of sale or exchange of such thereof as have been disposed of, after payment of all loans and discharge of all other costs and expenses, shall be distributed among the subscribers in proportion to their respective participations in the syndicate.

No subscriber shall be liable for the act or omission of any other subscriber. The managers will incur no liability except for willful wrongdoing, and no partnership obligation is to arise from this agreement.

The managers agree to act as managers of the syndicate without compensation.

Either of the managers may be a subscriber to the syndicate.

In the event that a manager under this syndicate agreement should cease to act as such by reason of resignation, death, or otherwise, subscribers participating in this syndicate to the extent of a majority in interest therein may, in writing, appoint a successor to such manager, who shall thereupon become vested with all the authorities and powers of manager hereunder.

This agreement shall be binding upon and enforceable by the personal representatives, successors, and assigns of the parties, respectively, and may be executed in different writings with the same effect as if all signatures were upon one.

Dated New York, November 27, 1905.

CHARLES S. GUTHRIE,
GRANT B. SCHLEY,
Managers.

Subscribers' names.	Addresses.	Proportions (shares).
G. Watson French	Chicago	2,500
S. G. Cooper	Pittsburg	1,500
John A. Topping	do	1,000
H. S. Black	New York	6,000

TENNESSEE COAL, IRON & RAILROAD CO. STOCK SYNDICATE AGREEMENT NO. 2.

Referring to Tennessee Coal, Iron & Railroad Co. stock syndicate agreement, dated February 7, 1906, between the subscribers thereto and Grant B. Schley and Leonard C. Hanna, called managers, the subscribers hereto have formed, and hereby form a syndicate in charge of the same managers, for the purpose of holding, managing, and disposing of 40,000 shares of common stock of the Tennessee Coal, Iron & Railroad Co., and distributing the proceeds thereof as hereinafter provided; and the subscribers, each in consideration of the agreements of the others and of said managers, severally agree forthwith to deliver to or place subject to the order of said managers the number of shares of such stock set opposite to their signatures hereto, respectively, and to bear the costs and expenditures of the syndicate proportionately, according to such numbers of shares; and authorize the managers to hold, sell, or otherwise dispose of all such shares of stock, with power to borrow money thereon, and from time to time to sell and repurchase any thereof, and ultimately to dispose of the same by sale or by exchange for the stocks, bonds, or other issues of any other corporation now existing or which may be formed hereafter, upon any terms of sale or exchange that the managers shall determine upon, and with power to make, or cause to be made, in respect to any or all of such stock, any agreement of, or assent to, consolidation, merger, sale of corporate property, marketing or withholding stock from market, or other similar matter which an individual stockholder might make (their authority not to be diminished by reason of personal interest of either manager in any other corporation) and with power, in case of an increase of the capital of said Tennessee Coal, Iron & Railroad Co., and offering thereof to stockholders, to underwrite such offering or any part thereof, and take and pay for all of such increase coming to the stock held in the syndicate or required to be taken by such underwriting, all stock so taken to be held under and governed by all the provisions and powers of this agreement as if originally included therein; and with power to call upon the subscribers to contribute proportionately in money to the syndicate to any extent deemed requisite by the managers, such calls to be payable immediately upon notice in writing delivered or mailed to the addresses written after the signatures of the subscribers, respectively.

The period of the operations of the syndicate shall be from the date hereof until February 7, 1907, with authority to the managers to extend the same for a further period of one year by notice to the subscribers; but the managers may, in their discretion, terminate the syndicate at any time.

At the termination of this syndicate such shares of the said stock, if any, as remain undisposed of, and the proceeds of sale or exchange of such as have been disposed of, after payment of all loans and discharge of all other costs and expenses, shall be distributed among the subscribers in proportion to their respective participations in the syndicate.

No subscriber shall be liable for the act or omission of any other subscriber, and no partnership obligation is to arise from this agreement. They will incur no liability except for willful wrongdoing.

The managers agree to act as managers of the syndicate without compensation. Either of them may be a subscriber to the syndicate.

It is intended that the syndicate hereby formed shall act in harmony with and as nearly as may be as if it were consolidated with the syndicate under the agreement of February 7, 1906, aforesaid, and the managers agree to carry out this intention.

In the event that a manager under this syndicate agreement shall cease to act as such by reason of resignation, death, or otherwise, subscribers participating to the extent of a majority in interest in the syndicate may, in writing, appoint a successor to such manager, who shall thereupon become vested with all the powers and authorities of manager hereunder.

This agreement shall be binding upon and enforceable by the personal representatives, successors, and assigns of the parties, respectively, and may be executed in different writings with the same effect as if all signatures were upon one.

Dated New York, August 27, 1906.

_____ _____,
_____ _____,
Managers.

(Signatures canceled.)
Subscribers' names.—Addresses.—Number of shares.

No. 14

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

SATURDAY, JULY 29, 1911

WASHINGTON
1911

UNITED STATES OF AMERICA
GOVERNMENT PRINTING OFFICE

UNITED STATES STEEL CORPORATION.

SPECIAL COMMITTEE ON THE INVESTIGATION
OF THE UNITED STATES STEEL CORPORATION,
New York, Saturday, July 29, 1911.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

There were also present Messrs. Bartlett, Littleton, Beall, McGillicuddy, Young, Sterling, Danforth, and Gardner.

The CHAIRMAN. The committee will resume its session.

Mr. Lindabury, we would like to have the minutes of the presidents of the subsidiary companies put in evidence.

Mr. LINDABURY. There are no such. You mean the minutes of the directors and finance committees of the subsidiary companies?

The CHAIRMAN. No; their own minutes.

Mr. LINDABURY. You mean formal minutes?

The CHAIRMAN. Any kind.

Mr. LINDABURY. I had not heard anything about that.

The CHAIRMAN. The minutes of the meetings of the presidents of the subsidiary companies.

Mr. LINDABURY. Will not Monday do?

The CHAIRMAN. Well, I would like to have them here so that I can look them over with Mr. MacRae.

Mr. LINDABURY. Is Mr. MacRae here?

The CHAIRMAN. Yes.

Mr. LINDABURY. Very well. If it is only for Mr. MacRae, can not he go down to the office and see them?

The CHAIRMAN. I would like to have the permission.

Mr. LINDABURY. All right, then.

Mr. LITTLETON. Before we proceed, I move that the committee adjourn to-day at 1 o'clock, or 1.30, to meet on Tuesday morning at this place, and that all witnesses subpœnaed for Monday morning be notified to postpone their arrival here until Tuesday morning.

Mr. DANFORTH. I suggest 1 o'clock. I think we would have difficulty in doing much business after 1 o'clock.

Mr. LITTLETON. I will accept that amendment.

(The motion was agreed to.)

The CHAIRMAN. Mr. Oglebay, you may take the stand.

STATEMENT OF EARL W. OGLEBAY.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Mr. Oglebay, you were a member of the syndicate which held control of the Tennessee Coal & Iron Co. prior to its absorption by the United States Steel Corporation?

Mr. OGLEBAY. Yes, sir.

The CHAIRMAN. In what business are you engaged, Mr. Oglebay?

Mr. OGLEBAY. I am connected with the firm of Oglebay, Norton & Co., iron ore commission merchants.

The CHAIRMAN. How long have you been engaged in the business of dealing in ore?

Mr. OGLEBAY. Twenty years or more; 25 years.

The CHAIRMAN. Did you know at the time that this property was acquired by your syndicate anything about the extent and value of those ores, as a practical engineer and dealer in ores?

Mr. OGLEBAY. I knew about the Tennessee Coal & Iron Co., in a general way, but I did not know about it specifically until after I had been offered some of the stock owned by this syndicate.

The CHAIRMAN. Who offered you the stock? At whose instance did you become a member of the syndicate?

Mr. OGLEBAY. At the instance of Mr. L. C. Hanna.

The CHAIRMAN. Did Mr. Hanna request you to take stock in this syndicate on account of your experience in the handling and sale of ores and in the iron industry?

Mr. OGLEBAY. I presume that was one of the reasons. We had been friends a good many years.

The CHAIRMAN. You have also been engaged in the business of the manufacture of various iron products?

Mr. OGLEBAY. I have been a stockholder in manufacturing concerns.

The CHAIRMAN. Your company owns iron mills and operates them—nail mills?

Mr. OGLEBAY. I own stock in manufacturing institutions in many instances; the manufacture of nails; yes, sir, but not Oglebay, Norton & Co.

The CHAIRMAN. Have you had practical experience in the manufacture of nails?

Mr. OGLEBAY. I did; cut nails; years ago.

The CHAIRMAN. And cut them yourself?

Mr. OGLEBAY. No, sir.

The CHAIRMAN. You managed and operated the company?

Mr. OGLEBAY. I was one of the clerks.

The CHAIRMAN. You worked in the mills; you have practical knowledge of this industry?

Mr. OGLEBAY. Yes, sir.

The CHAIRMAN. As well as a stockholder in the various concerns?

Mr. OGLEBAY. Yes, sir.

The CHAIRMAN. Now, I will ask you to state to the committee, Mr. Oglebay, the reason, after investigating this property, both from your own knowledge and the reports made by engineers which induced you to take 10,000 shares——

Mr. OGLEBAY (interposing). 5,000 shares. I took first a little over 5,000 shares, 5,150 shares.

The CHAIRMAN. What was the extent of your holdings at the time the company was absorbed?

Mr. OGLEBAY. About 7,000 shares. I took the original and then the increased allotment.

The CHAIRMAN. I will ask you to state to the committee the reasons which induced you to acquire this stock.

Mr. OGLEBAY. As stated, I met Mr. Hanna in Cleveland, and he advised me that a syndicate had purchased the control of the Ten-

nessee Coal & Iron Co., practically 120,000 shares, and that he would be very glad to have me join the syndicate; and if I desired, he would let me have a 10,000-share interest. I told him that I only knew about the property along general lines, but if he had a report of the physical condition of the property, as well as the financial statement, I would be very glad to look it over and let him know. He said that there was no hurry and that he would be very glad to have me do so, which I did; and within the week I called and said that after examining the reports I had concluded to go along, but I did not care to take the full interest; that I would take half an interest, which was about 5,000 shares; that from my investigation, hurriedly made, of the report it was very evident that the property would have to have a great deal of money expended upon it to bring it up to a higher plane; that the mills and the furnaces they had there were old and out of date and not economical to operate, and that it would be necessary to improve them; and, more than that, the steel works they had, as I understood, were not doing economical work; and that some of the mines would have to be improved upon and developed, and so on; and that being the case, I said to them that probably I would have an opportunity to get an additional amount of the stock, and that I would start with 5,000 shares instead of 10,000 shares, which was very satisfactory, and I did.

The CHAIRMAN. Were reports made to you by engineers who had examined the property?

Mr. OGLEBAY. They had a report that had been made by some engineers; yes, sir. It was that report which I referred to, and which I examined and looked over.

The CHAIRMAN. Did you know the engineers who made the report?

Mr. OGLEBAY. I knew of them generally.

The CHAIRMAN. You knew that they were men of standing?

Mr. OGLEBAY. Men of high standing, and that they had taken time to make a fairly exhaustive examination, which anybody can do in estimating minerals.

The CHAIRMAN. Please state in your own way to this committee what were the advantages of this property in the location of its ore and the like; what were its principal elements of value?

Mr. OGLEBAY. Well, the reports show that they had about from 425,000,000 to 450,000,000 tons of what they call Nos. 1 and 2 ore; that there was probably a billion and a half tons of coal, about half of which was coking coal; that the coal and ore could be readily assembled at a central point which you may call Ensley, at Birmingham, at a very low cost.

The CHAIRMAN. Was the limestone there too?

Mr. OGLEBAY. Limestone and dolomite within the same region, and that this could all be assembled within, probably, a radius of 25 miles, which insured a very low cost of transportation for all of the raw material.

The CHAIRMAN. Is that natural condition to be found anywhere else on this continent except in that district?

Mr. OGLEBAY. I do not know where there is as large a quantity of iron ore, coal, dolomite, and limestone so conveniently assembled anywhere as down there.

The CHAIRMAN. You have operated in how many parts of this country?

Mr. OGLEBAY. Lake Superior.

The CHAIRMAN. You have now mines in that region?

Mr. OGLEBAY. I am interested in mines on Lake Superior.

The CHAIRMAN. What about the properties above ground—the plants—at the time the company was acquired?

Mr. OGLEBAY. They were not modern; they were fairly good, but not modern, all of them.

The CHAIRMAN. What did you do with those plants; did you consider them an element of great value or did you charge them off to profit and loss?

Mr. OGLEBAY. We did not charge them to profit and loss; but in buying the property I did not regard the plants as one of the reasons for having a high appreciation of the property. It was not the improvements; it was the mineral I regarded as of great interest—not the betterments.

The CHAIRMAN. After you purchased this property—after you got control—did you proceed to develop it?

Mr. OGLEBAY. Yes, sir.

The CHAIRMAN. And put your profits—any part of your profits—back into the property?

Mr. OGLEBAY. Yes, sir; a small part of them.

The CHAIRMAN. Did you make any other arrangements to secure money for the development of this company?

Mr. OGLEBAY. Yes, sir.

The CHAIRMAN. What were they?

Mr. OGLEBAY. The sale of treasury stock to the stockholders.

The CHAIRMAN. How much did you sell?

Mr. OGLEBAY. The first call was 35 per cent, as I recall it, all of which was taken by the stockholders, and the second call was 12½ per cent, one-fifth of which was taken in October, before the property was disposed of, making in all about 47½ per cent that had been allotted for sale.

The CHAIRMAN. What did you pay for this stock?

Mr. OGLEBAY. Par.

The CHAIRMAN. Did you pay for it in money?

Mr. OGLEBAY. Yes, sir.

The CHAIRMAN. In cash?

Mr. OGLEBAY. Good money.

The CHAIRMAN. What was done with that 40 per cent of the entire issue of stock—all those millions of dollars?

Mr. OGLEBAY. Thirty-five per cent was paid in on one payment, one-fifth on the second call.

The CHAIRMAN. How much money did you realize from the sale of this stock?

Mr. OGLEBAY. Between $7,000,000 and $8,000,000.

The CHAIRMAN. How much?

Mr. OGLEBAY. Between $7,000,000 and $8,000,000.

The CHAIRMAN. What did you do with that $7,000,000 or $8,000,000?

Mr. OGLEBAY. Used it for the improvement of the property.

The CHAIRMAN. For the improvement of the property?

Mr. OGLEBAY. Yes, sir.

The CHAIRMAN. How long was it before this property was acquired by the United States Steel Corporation that this money was expended on the improvement of the property?

Mr. OGLEBAY. The improvements commenced immediately after our syndicate acquired the property, and went along regularly up to the time of the sale. In fact, the contracts made for the building of the steel plant, the rebuilding of the blast furnaces, and the development of the ore mines were carried over, and the corporation completed part of the work laid out by our engineers.

The CHAIRMAN. When you secured the stock, and when the other members of this syndicate secured theirs, did you put it on the market or in a strong box?

Mr. OGLEBAY. I bought my stock to keep, not for the market.

The CHAIRMAN. I did not understand that.

Mr. OGLEBAY. I bought the stock to keep, as a permanent investment.

The CHAIRMAN. As a permanent investment?

Mr. OGLEBAY. Yes, sir.

The CHAIRMAN. What arrangement, if any, did you make to prevent this stock from being sold and to prevent this syndicate from losing control of this property?

Mr. OGLEBAY. I paid for my stock.

The CHAIRMAN. That is not what I mean. Did you make any arrangement to keep this property in the hands of the men who had formed the syndicate, any syndicate agreement?

Mr. OGLEBAY. Yes, sir.

The CHAIRMAN. For the purpose of protecting you from losing the control of this property?

Mr. OGLEBAY. We had a syndicate agreement; yes, sir.

The CHAIRMAN. What was the purpose of that agreement?

Mr. OGLEBAY. That was a syndicate agreement with syndicate managers for the protection of the interests owning control of the property.

The CHAIRMAN. At the time that this property was sold, did you desire to dispose of your stock then?

Mr. OGLEBAY. No, sir.

The CHAIRMAN. Did you regard this property at the time you lost control of it as a bargain and as worth all the money you put in it?

Mr. OGLEBAY. I thought it was.

The CHAIRMAN. Do you think so now?

Mr. OGLEBAY. I think it is a good property.

The CHAIRMAN. When did you first hear that there was any possibility of losing control of this property?

Mr. OGLEBAY. On Sunday, November 3, 1907.

The CHAIRMAN. What was it that you heard?

Mr. OGLEBAY. I was in West Virginia and was called up by phone by Mr. John A. Topping, then chairman of the Tennessee Coal & Iron Co., and he advised me that he had learned from Mr. Schley that the firm of Moore & Schley were infinancial trouble, and that it was possible that they would have to dispose of the Tennessee Coal & Iron Co., and he remarked there is a deal on hand, and as you are a pretty large holder you better come down; you are interested in knowing what is going on. So I told him all right, that I would arrange to do so. Immediately after I left the phone, within 10 min-

utes, Mr. Hanna called me up from Cleveland and gave me the same information, that he had also learned from New York that there was a possibility that the property might have to be sold, and he said, "I am going there, and we will go there together," which we did. We came over to New York on Sunday night, arriving here on Monday.

The CHAIRMAN. When you got here, what were you advised?

Mr. OGLEBAY. When we arrived here on Monday, we went to the office of Moore & Schley—the uptown office, 747 Fifth Avenue, I think it is—and there we met Mr. Grant B. Schley, Mr. Ledyard, Mr. H. M. Hanna, and Mr. John A. Topping—and I think there may have been others, but I do not remember—and when there we learned from Mr. Schley that the firm was in financial stress and that their loans had been called, in which there was a large amount of Tennessee Coal & Iron stock; that is, they would have to substitute; they had gone down to the bottom of the box and had taken out everything they could; and that they were unable to go farther; and that unless they could be relieved they would have to probably fail, and if they did, other house would likewise be affected and probably banks; and that the trouble of the panic which was then on would go ahead fast and furious. This, of course, was considerable of a surprise; but after a little while Mr. L. C. Hanna was there as one of the managers, and it was indicated at first that the United States Steel Corporation would take control. Mr. Hanna said that as he was a member of the syndicate and also a member of the board of directors he was not willing that any part of his stock should be sold unless all stockholders should have an option to also put in their stock if they so desired, to which they all agreed, seeing the fairness of it; and this matter was taken up, I think, with some one, Mr. Ledyard and Mr. Schley and the representative of the corporation, and they very promptly said that that was fair and they would take whatever action was necessary to take, and then the sale was completed.

The CHAIRMAN. Do you know anything of the discussion at that time with reference to the propriety of merging these two large concerns, and of the wisdom of taking the precaution to see and obtain the approval of the then President of the United States?

Mr. OGLEBAY. How is that?

The CHAIRMAN. Did you hear any discussion of the propriety——

Mr. OGLEBAY (interposing). No, sir.

The CHAIRMAN. Mr. Oglebay, you speak of being a practical business man, and I know you are. Did you ever speculate in any of this stock?

Mr. OGLEBAY. No, sir.

The CHAIRMAN. Had you any interest at the time you acquired this stock afterwards in operations in Wall Street?

Mr. OGLEBAY. No, sir.

The CHAIRMAN. Did you have any idea, or those connected with you, of holding this stock until the proper time and forcing the United States Steel Corporation or some other concern to pay you a big price for it?

Mr. OGLEBAY. No, sir.

The CHAIRMAN. Was there ever any time, from the time you bought the property until the day you lost it, that it was not, in your opinion, worth more than you received for it?

Mr. OGLEBAY. I always thought it was worth as much, and as we were spending money pretty rapidly down there, and the property was certainly being improved, that it should have enhanced to a degree, at least. It was getting better, we hoped and believed.

The CHAIRMAN. How much money did you contemplate placing in this property in order to make it a thoroughly modern and competing concern?

Mr. OGLEBAY. Oh, I do not know that there was any fixed amount which had been arranged, but it was the idea that we would go right along and improve the property as the times and conditions would warrant and would encourage us to do.

The CHAIRMAN. What commercial zone or area was adjacent to that property to which you could look for your customers in the way of pig iron, rails, and semifinished products of that kind?

Mr. OGLEBAY. All the territory south of the Ohio River, I should say, and going west into Texas, if you choose, was all the territory the locality could reach economically and had a right to suppose they could have a territorial advantage.

The CHAIRMAN. Had the United States Steel Corporation, prior to the absorption of the Tennessee Coal & Iron Co., any large plant in that country?

Mr. OGLEBAY. Not that I know of.

Mr. YOUNG. There are just one or two questions which I would like to ask. About how much ore does the firm of Oglebay, Norton & Co. mine in the Lake Superior region annually?

Mr. OGLEBAY. Oglebay, Norton & Co. is a commission house.

Mr. YOUNG. You do some mining also?

Mr. OGLEBAY. No, sir. We have mines; that is, Oglebay, Norton & Co. is a commission house, but the individuals of the company are interested in the mines.

Mr. YOUNG. About how much do those gentlemen mine in the Lake Superior district?

Mr. OGLEBAY. We mine a million tons, the mines we are connected with, easily; probably a little more than that.

Mr. YOUNG. Then, in addition to that, you handle ore for other people?

Mr. OGLEBAY. Yes, sir.

Mr. YOUNG. About how much annually do you handle for others above this million tons?

Mr. OGLEBAY. I suppose we handled last year, all told, a million and a half tons of ore.

Mr. YOUNG. And that ore is sold through Oglebay, Norton & Co.?

Mr. OGLEBAY. Yes, sir.

Mr. YOUNG. Where are the mines which the gentlemen interested in Oglebay, Norton & Co. own?

Mr. OGLEBAY. In the Menominee and Gogebic Ranges.

Mr. YOUNG. What mines are they?

Mr. OGLEBAY. In the Menominee Range, the Bristol.

Mr. YOUNG. That is at Crystal Falls?

Mr. OGLEBAY. Yes, sir; the Chatham and the Berkshire.

Mr. YOUNG. And in the Menominee Range?

Mr. OGLEBAY. The Montreal and Casteel, which includes a mine called the Eureka, as well.

Mr. YOUNG. Do you own anything on the Mesaba Range?

Mr. OGLEBAY. We own an interest in a lease up there in a mine not now being operated.

Mr. YOUNG. That is all.

Mr. DANFORTH. Mr. Oglebay, you spoke of 47½ per cent being paid in in cash on that stock.

Mr. OGLEBAY. No; 37½ per cent.

Mr. DANFORTH. Forty-seven and one-half per cent, 35 per cent, and 12½ per cent.

Mr. OGLEBAY. That is right.

Mr. DANFORTH. New stock?

Mr. OGLEBAY. Yes, sir; entirely.

Mr. DANFORTH. The capital stock was increased for the purpose of getting cash out of the sale of this increase of stock?

Mr. OGLEBAY. That is right.

Mr. DANFORTH. Do I understand that 47½ per cent in cash was paid in on the new stock, or what did you mean?

Mr. OGLEBAY. The first allotment of stock was 35 per cent.

Mr. DANFORTH. Of the original capital stock?

Mr. OGLEBAY. The original $22,000,000.

Mr. DANFORTH. Then, you had a second issue?

Mr. OGLEBAY. Yes, sir; which would be 12½ per cent on the stock then issued, the increase.

Mr. DANFORTH. The first increase was paid in full?

Mr. OGLEBAY. Yes, sir.

Mr. DANFORTH. And then the stockholders had paid in 12½ per cent of the second?

Mr. OGLEBAY. Twenty per cent on the 12½ per cent, the second 12½ per cent. Let me clear myself up on that. Thirty-five per cent—35 per cent was the first call, and the second call was for 12½ per cent, being shortly prior to the sale of the property, and then 20 per cent was paid on the 12½ per cent allotment.

Mr. DANFORTH. You spoke of a conference when you first arrived in New York, in which it was suggested that the control of the Tennessee Coal & Iron Co. could be sold, and that that would make a satisfactory arrangement to relieve this firm of bankers, Moore & Schley.

Mr. OGLEBAY. Yes, sir.

Mr. DANFORTH. But that Mr. Hanna objected, and said that all of the members of the syndicate should have the privilege?

Mr. OGLEBAY. All the stockholders.

Mr. DANFORTH. The syndicate at that time owned considerably more than a controlling interest, did they not?

Mr. OGLEBAY. They owned 120,000 shares, original and increase.

Mr. DANFORTH. About 40,000 more, a little over?

Mr. OGLEBAY. Yes, sir.

Mr. DANFORTH. For instance, under that arrangement, if you had preferred to hold your stock, could you not have held it?

Mr. OGLEBAY. Yes, sir.

Mr. DANFORTH. And still allowed the sale of the controlling interest to be consummated?

Mr. OGLEBAY. Yes, sir.

Mr. DANFORTH. But you preferred to go in and sell it?

Mr. OGLEBAY. After I saw that the control was going to be sold, I preferred to go along with the crowd, of course.

Mr. DANFORTH. In other words, you were satisfied to make the sale at the price?

Mr. OGLEBAY. Under the conditions.

Mr. DANFORTH. And you did not lose any money?

Mr. OGLEBAY. Oh, not very much.

Mr. DANFORTH. Did you lose any?

Mr. OGLEBAY. That would just be owing to the price at which you sold the bonds.

Mr. DANFORTH. Did you sell them or put them in your tin box?

Mr. OGLEBAY. I put them away, so I do not think I really lost very much; I do not know.

Mr. DANFORTH. Have you sold them?

Mr. OGLEBAY. Yes, sir.

Mr. DANFORTH. But, there was no occasion for any loss?

Mr. OGLEBAY. By carrying the bonds along until after the demoralization created by the panic, the bonds would react, and there was no occasion for a loss.

Mr. DANFORTH. There was no other purchaser in sight for this Tennessee Coal & Iron Co.?

Mr. OGLEBAY. Not that I saw; no, sir.

Mr. DANFORTH. They were not visible at that time?

Mr. OGLEBAY. They were not numerous anywhere.

Mr. DANFORTH. Either in blocks of the controlling stock or in the market?

Mr. OGLEBAY. No; either for much or little.

Mr. DANFORTH. That is all.

Mr. BARTLETT. As I understand it, you purchased the property as a permanent investment, and for the purpose of developing it, and making it more valuable?

Mr. OGLEBAY. You are correct.

Mr. BARTLETT. The syndicate which was formed that bought this 118,000 shares was not a speculative arrangement by any means, was it?

Mr. OGLEBAY. I did not so understand.

Mr. BARTLETT. Was not that the general understanding, that it was not to be a speculative arrangement?

Mr. OGLEBAY. Yes.

Mr. BARTLETT. Now, as I understand it, you found it necessary to make these improvements, and determined therefore to borrow money, and decided that those who had invested in the stock, the stockholders, should have the privilege of buying additional stock at par, for the purpose of raising money to carry out the scheme to make it a permanent investment and improve the property?

Mr. OGLEBAY. Yes, sir.

Mr. BARTLETT. Then there was one issue of stock of $5,000,000—the first issue?

Mr. OGLEBAY. Thirty-five per cent.

Mr. BARTLETT. That was all taken and paid for?

Mr. OGLEBAY. Taken and paid for.

Mr. BARTLETT. Then carrying out your original purpose, it became necessary to have more money?

Mr. OGLEBAY. Yes, sir.

Mr. BARTLETT. And instead of borrowing money, instead of issuing bonds for that purpose, you determined to have another issue of stock, to be taken by the stockholders; is that right?

Mr. OGLEBAY. That is correct.

Mr. BARTLETT. And that was to be paid for in calls of 15 per cent at a time?

Mr. OGLEBAY. Twenty per cent.

Mr. BARTLETT. The reason I said 15 per cent, Mr. Schley's recollection was it was 15.

Mr. OGLEBAY. It may have been, but it is my impression it was 20.

Mr. BARTLETT. With five payments?

Mr. OGLEBAY. Five payments of 20 per cent each.

Mr. BARTLETT. That was for the purpose of blast furnaces and improvement of the coal mines and improvement of ore mines, and in a general way to develop, as largely as possible, the coal and iron business?

Mr. OGLEBAY. Yes; and the steel plant.

Mr. BARTLETT. At the time the property was sold in 1907, or rather, when the control of the property was sold to the United States Steel Corporation, you had not made all the calls for this last issue of stock. Had all the calls been made?

Mr. OGLEBAY. The first call had been made and paid for.

Mr BARTLETT. You had paid, then, for all the calls that were due?

Mr. OGLEBAY. Yes.

Mr. BARTLETT. And the syndicate, as I will call it, and the stockholders had never shown any disposition not to meet the calls, had they?

Mr. OGLEBAY. No, sir.

Mr. BARTLETT. When was the next call due; do you remember? The first payment due on the calls?

Mr. OGLEBAY. I do not recollect. I think in about 90 days, possibly. I will not be sure about that.

Mr. BARTLETT. This was a pretty strong organization of men, financially, was it not?

Mr. OGLEBAY. Supposed to be.

Mr. BARTLETT. And was it not in fact?

Mr. OGLEBAY. I think so. I think it was a good, strong organization.

Mr. BARTLETT. And under ordinary conditions perfectly able to carry out the purposes of buying and paying for the new issue of stock and carrying out the purpose of improving the property?

Mr. OGLEBAY. That was the understanding, and that was the expectation, that they would be able to do that.

Mr. BARTLETT. And they were able to do that, unless some extraordinary, unforeseen occurrence prevented it?

Mr. OGLEBAY. That is correct.

Mr. BARTLETT. Did you come to New York when you got information that plans were on foot for the purpose of disposing of the stock in the syndicate?

Mr. OGLEBAY. How is that?

Mr. BARTLETT. Do you live in New York?

Mr. OGLEBAY. No, sir.

Mr. BARTLETT. Did you come to New York when you got the information as to the proposed plan of the holders of the stock in this syndicate?

Mr. OGLEBAY. I did.

Mr. BARTLETT. What time did you get here?

Mr. OGLEBAY. I arrived here Monday morning, the 4th of November.

Mr. BARTLETT. Whom did you go to see?

Mr. OGLEBAY. I went to the office of Moore & Schley, 747 Fifth Avenue, and there, as I stated, met Mr. Ledyard, Mr. Schley, Mr. H. M. Allen, and Mr. John A. Topping, and Mr. L. C. Hanna.

Mr. BARTLETT. You had to await the arrival of someone else before you could finally determine whether the plans could be completed, did you not?

Mr. OGLEBAY. No, sir.

Mr. BARTLETT. How long did it take you during that day to complete the arrangements and what time during the day was the arrangement completed?

Mr. OGLEBAY. I do not think the arrangements were completed that day?

Mr. BARTLETT. On Monday?

Mr. OGLEBAY. No.

Mr. BARTLETT. At what particular place were they completed?

Mr. OGLEBAY. I do not know.

Mr. BARTLETT. You are not familiar with the business of Moore & Schley?

Mr. OGLEBAY. No, sir.

Mr. BARTLETT. You were not familiar with their condition? What banks they were dealing with?

Mr. OGLEBAY. No, sir.

Mr. BARTLETT. Or why it was necessary to relieve them?

Mr. OGLEBAY. No, sir.

Mr. YOUNG. Mr. Oglebay, in saying that it was not necessary to see anybody else than the gentlemen you have named, to complete the agreement, you refer to people on the part of the Tennessee Coal & Iron Co., do you not? Of course, you had to see somebody from the United States Steel Corporation?

Mr. OGLEBAY. Certainly. The syndicate managers, Mr. Schley and Mr. Hanna, with their attorney, Mr. Ledyard, no doubt saw them, but I was not a syndicate manager.

Mr. YOUNG. So all your part was to determine what the syndicate would do?

Mr. OGLEBAY. What I would do, particularly.

Mr. YOUNG. As a member of the syndicate?

Mr. OGLEBAY. As a member of the syndicate.

Mr. YOUNG. Did Mr. Schley have the actual custody of this syndicate stock—the actual certificates—or not?

Mr. OGLEBAY. I suppose he had part of them. I imagine he did; but I am quite sure a great part of them he did not.

Mr. YOUNG. Did you have part of your certificates yourself?

Mr. OGLEBAY. Yes, sir; I had all of my certificates except about 1,000 shares that I had left there. When I had taken up my allotments, for convenience I left my allotments there.

Mr. YOUNG. So your stock was not in any way involved in this trouble in New York?

Mr. OGLEBAY. No, sir; not unless that 1,000 shares was. I do not suppose it was.

Mr. YOUNG. And, if you had desired, you could have retained your stock, of course, and stepped to one side?

Mr. OGLEBAY. Of course the syndicate had the right to sell; but if I had not elected to have sold I could have taken my stock and kept it.

Mr. STERLING. Do you mean, Mr. Oglebay, that the management had the right to sell against your will, and could have sold your stock despite your wish in the matter?

Mr. OGLEBAY. I suppose, under that syndicate contract, they would have had the right to have sold it.

Mr. STERLING. Then why do you say you could have taken your stock and kept it and stepped out? Do you think they would have given you that privilege?

Mr. OGLEBAY. I think so.

Mr. STERLING. They did not insist upon disposing of this stock?

Mr. OGLEBAY. There was nothing arbitrary about this thing at all. As far as I was concerned, I was not forced into it.

Mr. GARDNER. Did I understand you to say there was no hesitation on the part of any of the stockholders in taking up their subscriptions to the third issue of the new stock?

Mr. OGLEBAY. There was a small amount, I think, Mr. Gardner, that probably was not subscribed to.

Mr. GARDNER. How about the payments on that call? Were there a good many of them overdue, or not?

Mr. OGLEBAY. Except the small amount I referred to, I think the payments were being made promptly. I am speaking generally now.

Mr. GARDNER. My impression is, although I may be wrong, that it was stated in evidence somewhere that there were a good many of these payments overdue.

Mr. OGLEBAY. Well, I was not a syndicate manager and, really, I am talking generally now. There may have been some small amount overdue.

Mr. GARDNER. As I understood Mr. Hanna's testimony yesterday, he discussed the first two subscriptions as to the willingness of the stockholders to take it.

Mr. OGLEBAY. Yes.

Mr. GARDNER. And there has been an implication floating around—whether true or not, I would like to find out—and perhaps this question may have been asked you before I came in—that through the desire of the United States Steel Corporation to get possession of the Tennessee Coal & Iron Co., and through the cooperation of men of large financial standing, there was a general sort of a conspiracy on foot to induce the banks or brokers, or one person or another, to call for exchange of securities in the collateral which was held against loans of Moore & Schley and other people; in other words, to say you must take up Tennessee Coal & Iron stock and substitute something else; that this was a conspiracy which was floating around with the purpose of enabling the United States Steel Corporation to obtain that stock at a low figure. Is that your opinion of the situation?

Mr. OGLEBAY. No, sir; I have no knowledge or information which would lead me to any such conclusion.

The CHAIRMAN. Mr. Gardner, before you came in Mr. Oglebay stated he was a plain business man, engaged in the manufacture of iron and the sale of ore, and was absolutely innocent of the devious ways of Wall Street.

Mr. GARDNER. Oh, well, I notice that everybody thinks they know all about Wall Street, and how the thing is done, except the members of this committee, who are trying to find out.

The CHAIRMAN. That was merely a suggestion, Mr. Gardner.

Mr. GARDNER. Oh, I understand. Mr. Oglebay, did you hear that suggested by any of your fellow members of this syndicate? I won't go through their names, because you know them well enough.

Mr. OGLEBAY. No, sir; I did not.

Mr. GARDNER. You never heard it suggested or stated by Mr. John W. Gates?

Mr. OGLEBAY. That there was a conspiracy?

Mr. GARDNER. A conspiracy which had been set on foot as I have stated.

Mr. OGLEBAY. No, sir; I did not.

Mr. GARDNER. When did you first hear the suggestion of anything of that sort? That this drive on Tennessee Coal & Iron stock was really for the purpose of enabling the United States Steel Corporation to acquire the Tennessee Coal & Iron stock cheap?

Mr. OGLEBAY. I did not hear that.

Mr. GARDNER. You never heard it?

Mr. OGLEBAY. No.

Mr. GARDNER. Did you ever hear anything that sounded like that? Tell the thing in your own words.

Mr. OGLEBAY. I may have heard gossip of some kind.

Mr. GARDNER. Who were the gossipers?

Mr. OGLEBAY. I do not remember.

Mr. GARDNER. Was it any member of this syndicate of 16 persons, so far as you remember?

Mr. OGLEBAY. No, sir.

Mr. GARDNER. Was it anybody who knew anything about the question?

Mr. OGLEBAY. I really can not name anyone, Mr. Gardner.

Mr. STERLING. Do you know anything about the commissions that were paid for carrying this proposition through? Were commissions paid to J. Pierpont Morgan, or his company, or any other persons for carrying through this transaction, that you know of?

Mr. OGLEBAY. Not that I know of.

Mr. STERLING. Well, did you ever hear of any commissions being paid?

Mr. OGLEBAY. No, sir.

Mr. STERLING. I think it is in the record that a large amount of commission was paid. Did the Tennessee Coal & Iron Co. syndicate pay any commissions to anybody?

Mr. OGLEBAY. Not that I know of; no, sir.

Mr. STERLING. Did it cost you anything——

Mr. OGLEBAY. No, sir.

Mr. STERLING (continuing). To dispose of your stock in that way?

Mr. OGLEBAY. No, sir; nobody charged me any commission. I never paid any commission, either when I bought my stock or when I sold it.

Mr. BARTLETT. Mr. Oglebay, I want to ask one question which I omitted. The payment of this last issue of stock for the purpose of improving the Tennessee Coal & Iron Co. property would have about completed the improvement of the property as you had contemplated, would it not?

Mr. OGLEBAY. At that time?

Mr. BARTLETT. At that time.

Mr. OGLEBAY. Yes.

Mr. BARTLETT. And with that amount of money, amounting to something like $7,000,000, it would have been sufficient to complete the improvement you had in view and would have improved the property very much?

Mr. OGLEBAY. The improvements contemplated at that time; yes.

Mr. BARTLETT. And it would have enabled you to make it a valuable investment, as you thought?

Mr. OGLEBAY. That was the idea; yes.

The CHAIRMAN. That is all, Mr. Oglebay.

STATEMENT OF MR. LEWIS CASS LEDYARD.

(The witness was duly sworn by the chairman.)

Mr. LITTLETON. Mr. Ledyard, you are a member of the New York bar, are you not?

Mr. LEDYARD. Yes, sir.

Mr. LITTLETON. And have been for a great many years?

Mr. LEDYARD. More than I like to remember, Mr. Littleton.

Mr. LITTLETON. Not more than the bar likes to remember, I take it.

Mr. LEDYARD. Thank you.

Mr. LITTLETON. You reside in New York?

Mr. LEDYARD. I reside in New York.

Mr. LITTLETON. Were you, in 1907, attorney for Mr. Oliver Payne?

Mr. LEDYARD. I had been his counsel for many years, and am still.

Mr. LITTLETON. Mr. Payne was in active business in New York, was he not?

Mr. LEDYARD. No, sir; Col. Payne had retired from active business many years ago. He was a retired gentleman of means, who had investments and who made investments, but he was not engaged in any active business.

Mr. LITTLETON. Your position as attorney for him consisted largely of an advisory capacity, did it not?

Mr. LEDYARD. Yes. Col. Payne had been engaged in very large affairs as an investor, and his matters were important, and he had been in the habit of advising with me about them a good deal, but not always.

Mr. LITTLETON. Were you at that time attorney for the firm of Moore & Schley, or either of them individually?

Mr. LEDYARD. No, sir.

Mr. LITTLETON. And I take it you were not connected as counsel in any way with the United States Steel Corporation?

Mr. LEDYARD. I never had anything to do with them, sir, of a professional relation, nor with Mr. Morgan, who has been mentioned here.

Mr. LITTLETON. When was your attention attracted to the fact that Moore & Schley had on hand or in their loans a large amount of the stock of the Tennessee Coal & Iron Co.—and I speak now of the time?

Mr. LEDYARD. Just there, Mr. Littleton, if the committee will bear with me upon a professional matter?

The CHAIRMAN. Certainly.

Mr. LEDYARD. My attention has been called to-day to the fact that Mr. Hanna, who testified yesterday, said something about my having acted as counsel, or with some advisory committee, for what he called the syndicate managers. I never understood that I had any such relation.

Mr. BARTLETT. He testified, though, that he did not pay you anything for it.

Mr. LEDYARD. He did not; and I would not have that stand as if I were testifying when I was under any professional relation which would require me to claim the privilege of a client. I did not so understand it, and, as a matter of fact, I did not know contemporaneously that there was this syndicate of which you have talked here or that there were syndicate managers of it. I knew the Tennessee stock was pooled by gentlemen who had a common interest in it. I say that because otherwise it might seem strange that I was testifying. I did go to Col. Payne when I found I was likely to be called as a witness here, and said to him that I thought I would be called and desired him to tell me what he wished me to do in the way of claiming privilege, and he told me he released me from any rights he had and wished me to testify fully to all that I knew; and I also want to say, in further explanation of a professional relation, that some time ago there was an investigation by a Senate committee of these matters, and I saw that Mr. Schley was to be called as a witness, and I went to see Mr. Schley, because I was not willing that any question should come up as to what my relation had been. I went to see Mr. Schley and said: "Mr. Schley, since you have been called before the Senate committee, I may be called, and I want to have it perfectly clear that you have no impression I was acting as counsel for you. My only duty in this matter was for Col. Payne." He said he so understood it, and I said I would ask Mr. Payne to release me from the privilege. That is my professional relation in this matter, and I want it to be perfectly understood, because I do not want any question about what my attitude was.

Mr. LITTLETON. I take it, then, Mr. Ledyard, you are here unbanded, so to speak, to testify freely.

Mr. LEDYARD. I am here to tell all I know, Mr. Littleton, and I am quite willing to do so.

Mr. LITTLETON. Now, will you tell the committee at what time, if you recall, your attention was first attracted to the fact that the firm of Moore & Schley had in their loans a goodly amount of Tennessee Coal & Iron Co. stock?

Mr. LEDYARD. I should say it must have been within the last week of October, 1907, Col. Payne said to me that the firm of Moore & Schley were very largely indebted to him, and that he was very much concerned over their condition. The committee will remember that financial matters at that time were in a very crucial condition and a lot of banks had failed. The Union Trust Co., in Providence, had failed, and the banks in New York had been compelled then to resort to clearing-house certificates, and the panic was of the most acute character. It was one of distrust. Col. Payne said that Moore & Schley had a great lot of Tennessee Coal & Iron stock in their loans, and that the banks, or some banks, had asked for substitution of collateral upon that stock. He also told me that his under-

standing of the reason was that the stock was regarded as a pooled or a pegged stock, with only nominal quotations, without any real transactions occurring in it, and was a stock of a character that a bank could not realize upon in a time of panic, and he said he did not see any way for Moore & Schley to be saved, except through the acquisition of that stock by the United States Steel Corporation. He said that that would be an extension of the United States Steel Corporation's business, and they might be a purchaser for that stock.

Mr. LITTLETON. It would be an extension of what?

Mr. LEDYARD. It would be an extension of their business, and they might be induced to become purchasers of that stock. He did not see any market for it anywhere else, and he said to me that he thought it could be best brought to the attention of the United States Steel Corporation through Mr. Morgan. I had never had any business or professional relations with Mr. Morgan, but Col. Payne well knew that he was a very intimate friend of mine, and he said he intended to suggest to Mr. Schley that I be asked to see Mr. Morgan to get him to lay the proposition before the United States Steel Corporation.

Mr. LITTLETON. That is, he, Mr. Payne, intended to suggest to Mr. Schley that Mr. Schley request you to see Mr. Morgan?

Mr. LEDYARD. Yes. Shall I go on and tell the story? Perhaps it would be just as short. I will tell you just what occurred.

Mr. LITTLETON. Yes.

Mr. LEDYARD. I did not then know, and Col. Payne did not then tell me anything about a syndicate. I knew that the stock, from what he said to me, was pooled in some way, or a majority of it was pooled, but I assumed that Moore & Schley were holding the great mass of it they held as brokers. The next I knew I received a telephone message from Mr. Schley, whom I at that time knew very slightly. I do not know that I had ever met him except in the board of directors of the Northern Pacific, where he was a director with me. I had practically very little personal acquaintance with him. He asked me to come to his uptown office. I think it was about 10 o'clock at night, and while it is difficult to give exact dates of matters that occurred so long ago, I think it was a Friday night, which would be the 1st or 2d of November, whatever that Friday night was; about that date.

Mr. GARDNER. That Friday night was the last day of October.

Mr. LEDYARD. Then it would be the 31st of October. I went to his uptown office in response to this telephone message, and there I met Mr. Schley and his partner, Mr. Watson B. Dickerman, whom I did know very well, and Mr. Tierney. I think Mr. Tierney was the chief bookkeeper of Mr. Schley; I had never met him before. Mr. Schley told me that Col. Payne had made this suggestion to him, and that he was now ready to avail himself of the suggestion, that I should see Mr. Morgan to get him to lay before the United States Steel Corporation the proposal for the acquisition of the Tennessee stock by him. I stayed there for some time, several hours that night, going over their condition and ascertaining as accurately as I could their financial condition. They told me the amount of loans which they had outstanding. and by those loans, I mean what Wall Street generally means, the loans on collateral made to them by banks and such institutions, and they aggregated somewhere in the neighborhood of $33,000,000, or it might have been $35,000,000, but in that

neighborhood, which they owed in that line. I knew of other obligations that they had, because I knew of certain obligations to Col. Payne which were not in the class of loans on collateral.

Mr. LITTLETON. What was the extent of their obligation to Col. Payne, your client?

Mr. LEDYARD. Col. Payne had lent to them securities to help them along, and he subsequently lent more securities, the securities which he lent being of a class upon which loans could readily be made, and he taking as collateral for those securities uncurrent securities of Moore & Schley, upon which no loans could be made in those times. For instance, Col. Payne would lend them Northern Pacific and Great Northern and standard railroad stock, and they would secure that by giving him uncurrent and unactive securities that did not command a ready market and could not be used to any extent in connection with normal loans in Wall Street.

Mr. LITTLETON. The extent of those securities was what?

Mr. LEDYARD. It was several million dollars; I will not say how many. I know that a year afterwards I made, at Col. Payne's request, a calculation. These loans were afterwards turned into absolute exchanges, by agreement, between Moore & Schley and Col. Payne, so that the securities which Col. Payne had loaned Moore & Schley became theirs and the securities they had put up as collateral became his under values at the time, and my only indication about how much they came to is that I remember, a year afterwards—I had been in Europe and I returned and saw Col. Payne, and he asked me how he came out in this matter, and I made up the account for him and found out that, owing to the fact the securities he had loaned to them were standard securities and very much less depressed in the panic than the inactive securities which he had received from them, the inactive securities which he had received from them had risen very much more in value than the securities which he had given to them, they being of a little more stable character, and the result was Col. Payne had a million dollars profit out of those transactions. When I told him that he was quite angry at having a profit, and said he would not take the profit, and said, "I did not mean to take any profit," and asked me to go back and see Messrs. Moore & Schley and cancel those transactions and make them take back their securities and a million dollars profit, and put him back where he would have been if he had not done that. That was done. I think those securities on the one side and other of this account came to $7,000,000 or $8,000,000 on a side.

Mr. LITTLETON. That was the extent of the exchange or loaning of one to the other of uncurrent securities on the one side and the loaning of one to the other of standard securities on the other side?

Mr. LEDYARD. Yes; something like $7,000,000 or $8,000,000.

Mr. LITTLETON. After you had examined the books——

Mr. LEDYARD (interposing). I did not examine the books. It would not have done any good if I had.

Mr. LITTLETON. After you had been present in Mr. Schley's office on Friday, the 31st——

Mr. LEDYARD. I went at once the next morning to Mr. Morgan, as they asked me to do; they asked me to lay their condition before him and I did so. I had also asked Mr. Schley at that conference what he thought would pull him out, what kind of a sale to the

Steel Corporation, and at what price would pull him out and make it safe for him to go on. He told me that night he did not think anything less than par for the Tennessee stock would afford him sufficient resources to pull him out. I went, next morning, to see Mr. Morgan, that was Saturday morning. I am not sure whether I first went to his house or to his library adjoining, but at all events my talk with him was in the library. I told him of Moore & Schley's condition. Mr. Morgan—shall I go on with the conversation?

Mr. LITTLETON. Yes.

Mr. LEDYARD. Mr. Morgan expressed the greatest concern about it. He said it was the most serious thing that had yet been brought to his attention in connection with the panic. Moore & Schley were a very large stock exchange house. Their loans were spread not only in Wall Street, but elsewhere, for Mr. Schley had told me they were in New York in financial institutions here, in Chicago, in Boston, and in Philadelphia. The amount of them was large, and there were a number of Wall Street houses that might be at the moment crumbling on the brink with the financial pressure that was on, which was supposed to be so great, and I myself knew of one or two houses which I could not name that at that time were in extremes almost, and if one great thing had gone they would all have gone. The banks would have been in peril. You see, Messrs. Moore & Schley's trouble was not only the specific loans they had out upon Tennessee Coal & Iron stock, but the general character of a good deal of their securities. They had a good many securities that were uncurrent, that were inactive, and that in the time of panic were not such as the banks wanted to loan on. The most aggravated case of it was the Tennessee Coal & Iron, but it was not the only one, as was shown by those exchanges. I told all this to Mr. Morgan.

Mr. LITTLETON. Did you tell him that it had been suggested to you, in the first instance, by Col. Payne?

Mr. LEDYARD. I did. He knew my relations with Col. Payne, and how close they had been, and I told Mr. Morgan that Col. Payne suggested it to me some days ago, and Mr. Schley the night before had sent for me and given me the situation, and asked me to lay it before Mr. Morgan. Mr. Morgan said, "It is very serious. If Moore & Schley go, there is no telling what the effect on Wall Street will be and on the financial institutions of New York, and how many other houses will drop with it, and how many banks might be involved in the consequences." He said, "I will see what can be done about it at once," and he telephoned while I was there to Judge Gary and to Mr. Frick. They got Judge Gary's house and they said he would come around right away. They could not get Mr. Frick because they told him Mr. Frick was out driving. He left word for Mr. Frick to come down as soon as he came back. Judge Gary came around then to Mr. Morgan's, and Mr. Morgan told him, in my presence, what I had stated; and afterwards Mr. Frick came in, and the story was gone over with him. I did not participate in the talk between Mr. Morgan and Judge Gary and Mr. Frick inter sese; I did not regard it as any of my business; and when those gentlemen began to talk I went into the other room. What I had come for was discharged by telling my story to Mr. Morgan. What occurred between them I do not know. That was on Saturday. There were other members of the finance committee of the Steel Corporation that were brought

into conferences with Mr. Morgan and Judge Gary and Mr. Frick, I should say, through Saturday and Sunday.

It will be a little difficult for me to pin myself down to the date or the hour of any particular conversation throughout this thing, because there were so many things going on. They were not only conferences I was attending, but I was up almost all night every night during this period, and it was a time of incessant strain and rather a nerve-testing experience.

There were a good many conferences that took place between Mr. Morgan, Judge Gary, and Mr. Frick and other representatives of the Steel Co. through that Saturday and Sunday, and one or two conferences at which I was present with Mr. Frick and Judge Gary. Judge Gary was the reluctant one. He expressed very great reluctance to buy this stock. In the first place, he said that he did not think it was worth what I understood was necessary to be paid for it in order to accomplish the object of saving the situation, which was par. I remember in one of those talks at which Mr. Frick and Judge Gary were present Judge Gary said, "It is not worth it, and it is not worth over 60 or 65 per share at the outside." I said, "Judge Gary, I do not know what it is worth. I know nothing about the stock and its value. I think very likely, however, you will get it if you wait, if you want it, at $25 a share. I should not be surprised if, by the time it reaches $25 a share, the Steel Co. is not in the market to buy anything; I do not believe it will be."

There were conferences Sunday night, which I call attention to, and rather particularly, because other conferences were going on in Mr. Morgan's library at the same time up to that time. The condition of two of the trust companies up to that time, which had been quite critical, was not determined, and I was very much concerned in those operations as well, the extending of relief to certain trust companies here. That night, which was the night that Mr. Frick and Judge Gary went to Washington, Mr. Frick came to me and said, "Mr. Ledyard, I do not know whether this thing will go through or not, but I do not think we ought to do it unless this situation is entirely saved, and I think it ought to be arranged that these trust companies will be saved, too, because there is no need of our doing this to save this situation unless it is made complete." I said, "Mr. Frick, it is not possible to put any condition like that here. The saving of those trust companies is a matter that involves a great many different interests. We are doing all we can for them." We had then gotten together an association of other trust companies, by which united relief was to be extended to those which were being attacked and whose credit was questioned, and upon which there were runs. I mentioned that, and said, "Whether we can carry that out, I do not know. We are doing the best we can, but there is no use making one thing conditioned on another. We have to deal with these things as they come along, one by one."

There was a suggestion made by Judge Gary to me that they lend Mr. Schley, or Moore & Schley, $5,000,000, I think the amount was. I spoke to Mr. Schley about that. Mr. Schley said it would be perfectly useless; that it would not pull them out, and would not do them, and would not be effective.

Mr. LITTLETON. Did he say why?

Mr. LEDYARD. I do not know that he said why, but you can see why. I can see why at once.

Mr. LITTLETON. It was stated here that there were five million or six million dollars of loans of Moore & Schley in various banks which were supported by the collateral of the Tennessee Coal & Iron Co., as distinct from their other loans.

Mr. LEDYARD. Of course I can not remember so far back what those various figures were. I should think, however, that there was a larger amount of Moore & Schley's loans, or loans that Moore & Schley owed, than five million of dollars, secured by Tennessee Coal & Iron Co.'s stock.

Mr. LITTLETON. I think Mr. Schley stated in the Senate hearing——

Mr. LEDYARD. In the Senate hearing—I feel at liberty to speak of this, particularly because Mr. Schley testified quite fully about it before the Senate committee. Mr. Schley testified before the Senate committee that they had up as collateral for loans made to them from 100,000 to 110,000 shares of Tennessee Coal & Iron Co.'s stock. So I read his testimony. The price at which this transaction was finally effected was equivalent in cash to par for the Tennessee Coal & Iron Co.'s stock.

Mr. LITTLETON. Before you get to that, Mr. Ledyard——

Mr. LEDYARD (interposing). Let me say about the other, please?

Mr. LITTLETON. Yes.

Mr. LEDYARD. Mr. Schley also testified that they had a good deal of the Tennessee Coal & Iron Co.'s stock, in addition to that which was up in loans, because the bank would not take any more of it. I think he testified that.

Mr. LITTLETON. You mean they had it on hand as——

Mr. LEDYARD. They had it on hand as unused collateral, because he said the banks would not take it. I am quite sure you will find he said that.

Mr. LITTLETON. You mean that somebody had left it with them that had bought it and had not paid for it and that they used it as pledged stock, or in what way did they hold it?

Mr. LEDYARD. I did assume at the time that what Messrs. Moore & Schley had in the way of Tennessee Coal & Iron Co.'s stock was the stock they were carrying for customers which they could rehypthecate for loans, and I know that they had a good deal more than the mere syndicated stock. They had what has been termed in some of these hearings some of the free stock, for Mr. Schley so testified.

Mr. LITTLETON. Have you any idea how much of that they had?

Mr. LEDYARD. I could only say what Mr. Schley said. Mr. Gardner, you may turn to that passage easily, I believe. I am glad that was suggested. I am quite clear he said they had more than 100,000 or 110,000 shares that they had up in loans.

Mr. GARDNER. I read from page 95, where Mr. Schley said, in response to a question from Senator Culberson:

> Five or six million dollars, 100,000 shares; perhaps 110,000. Some days it was one amount and some days it was another.

On page 96 of the same hearing he said:

> Senator CULBERSON. Had your firm loaned any money and taken as collateral any of this stock?

Mr. SCHLEY. Yes.

Senator CULBERSON. How much?

Mr. SCHLEY. I don't know the amount, but it was larger than that.

Senator CULBERSON. Larger than the 100,000 shares?

Mr. SCHLEY. Larger than the 100,000 shares we had loaned upon, but 100,000 shares was about all we could place in loans outside to reimburse ourselves with.

Mr. LEDYARD. I assume that means, Mr. Gardner, that they had more than 100,000, or 110,000 shares, which they were carrying for customers, on which they may have made advances to customers, and that when they came to rehypothecate this stock there was only a certain amount of it which the banks would take in their mixed collateral upon their loans.

Mr. LITTLETON. Let me ask right there if anybody——

Mr. LEDYARD (interposing). I know that in addition to that at that time Col. Payne had 10,000 shares of Tennessee Coal of his own. He had 15,000 shares more which he had received from Moore & Schley for collateral for some of those exchanges for securities. That made 25,000 shares, or $2,500,000. As soon as this transaction went through, those shares were turned into Steel bonds, and those Steel bonds in turn Col. Payne loaned to Moore & Schley, so Moore & Schley again had an extra $2,500,000, if you like, of actual cash value of Steel bonds through that deal. The exchange of Steel bonds for stock of the Tennessee Coal & Iron Co. must have extended the resources, the available resources, of Moore & Schley by a great deal more than any five or six million dollars.

Mr. LITTLETON. Did anybody at that time from Morgan's house or Col. Payne or the Steel Co. actually investigate and ascertain the exact condition of Moore & Schley?

Mr. LEDYARD. Yes.

Mr. LITTLETON. Who was it?

Mr. LEDYARD. I remember something about that. Mr. Morgan or Judge Gary—I do not know which, but somebody, I will not be able to tell you who—made the original suggestion, and they said they wanted to have verified Moore & Schley's statement of their condition made to me and by me transmitted to them by an examination by experts; and thereupon Mr. Joyce, who was a very competent and confidential man in the employment of J. P. Morgan & Co., in connection with somebody, whose name I never did know, with representatives from the comptroller's or the accounting department of the United States Steel Co., were sent to Moore & Schley's office and turned loose on their books with Mr. Tierney, the chief bookkeeper of Moore & Schley, and before the transaction was completed some time elapsed during which that examination went on. I think they worked there all of two days and perhaps a night or a large part of a night. They came up, or Mr. Joyce came up, to the library, and I saw him there and I asked him what his report was and he said, "Well, I have not written out anything, but I have a lot of figures together"; and I said, "Mr. Joyce, Mr. Schley tells me that when all this is done, if they can get par for their stock in steel bonds at the market price, which would be an equivalent of cash"——

Mr. LITTLETON (interposing). Get par for what?

Mr. LEDYARD. If they could get par for the Tennessee Coal & Iron Co.'s stock, payable at money's worth for the bonds in the market, which would be really par in cash for the stock, that they

could have their loans with a good margin, and could make various exchanges of securities that would pull them out, so they would still have their loans with a fair margin of 15 or 20 points on the loans and three or four million dollars in the box.

Mr. LITTLETON. That is your statement to Mr. Joyce?

Mr. LEDYARD. Yes. I said that is how they tell me they will come out of this transaction, if this goes through on the basis of par, and I do not think anything less than that is safe. Mr. Joyce said he thought they would come out about that way, from his examination. He went up and made some report to Mr. Morgan about it, at the receiving of which I was not present, and of which I never heard, and I assume the representative of the steel company, who accompanied him and participated in that examination, did the like.

Mr. LITTLETON. What time was this, with reference to the trip Mr. Frick and Judge Gary made to Washington?

Mr. LEDYARD. It was one of two days. Something may enable me later to fix which one.

Mr. LITTLETON. Was it before or after they went to Washington?

Mr. LEDYARD. That is what I am questioning. It was either Sunday night, which was the night they did go to Washington, or it was Tuesday night that Mr. Joyce came up to Mr. Morgan's office with the report; and the reason I say it was is that I know they worked all of the holiday before coming up with their report. My better judgment or impression is—I can not swear to it, Mr. Littleton—that it was Sunday night.

Mr. LITTLETON. That is, the report as to Moore & Schley's condition——

Mr. LEDYARD (interrupting). It may have been verified by them and reported to Mr. Morgan and the Steel Co. Sunday night. If it was not Sunday night, it was the following Tuesday night.

Mr. LITTLETON. If it were Tuesday night, it would be after the return of Mr. Frick and Judge Gary from Washington?

Mr. LEDYARD. Yes; I did not know they were going to Washington. I want to say Judge Gary is a little in error in his testimony in saying that he had closed this matter with me before he went to Washington, subject to what should happen in Washington. As a matter of fact—of course, I was not very curious and I did not intrude myself upon these gentlemen in what they were conferring about among themselves, and I did not ask them what they were going to do. I did not know they were going to Washington until they had actually gone; I knew it the same night. That night I stayed with Mr. Morgan at the library until 5 o'clock in the morning. Judge Gary and Mr. Frick disappeared somewhere about midnight, I should think, and afterwards Mr. Morgan told me they had gone down to Washington to see the President. It was about 5 o'clock in the morning, and he asked me to come back. It was the night we had all these trust companies and boards of directors of two of the trust companies. There must have been a hundred people at the library; and one thing or another thing to be done, and one leak and another to be stopped, and one piece of aid and another to be extended. I can not reproduce the talk to you at all.

Mr. LITTLETON. Did Mr. Morgan tell you what they had gone to Washington for?

Mr. LEDYARD. He told me they had gone to Washington to tell the President the situation of Moore & Schley, and that they did not

want to go on with the transaction which they were doing solely for the purpose of saving the situation over in New York if they were going to be attacked by the Government for doing it for other purposes.

Mr. LITTLETON. Did you learn of their return, or just when they returned?

Mr. LEDYARD. Mr. Morgan asked me to come. After they left we took up all these trust company matters, and Mr. Edward King, who is now dead, was president of the Union Trust Co. here, and was chairman of the trust company committee which had been formed to devise ways and means of aiding the trust companies that were in difficulties; and they were aided by making them very large advances upon their loans. Mr. King, being chairman of that committee, wanted advice, and he would not do anything without me, and I stayed there all evening with him. There were a great many questions that came up in conference and negotiations about these trust companies, and I left Mr. Morgan, I think, about 5 o'clock in the morning. He said, "You go home and come back here, and I think we will hear from Washington by 8 or 9 o'clock." At all events, I know he asked me to be back there at half-past 8; and I went home and tried to sleep, but I found there was not much sleep, and I took a bath and got a cup of coffee and went back. I found Mr. Morgan up bright and early, and he said he had had a good sleep and had a good breakfast, and we waited for a telephone from Washington, which did not come. I spent two or three hours there with him, waiting for it. Finally, instead of coming there, the message came from his office down town that they had heard from Washington with the result that I understood no objection was made.

Mr. LITTLETON. The result on what?

Mr. LEDYARD. I say with the result, as I understood, that no objection would be made.

Mr. LITTLETON. That is, by the Government?

Mr. LEDYARD. Yes. That, Mr. Littleton, I do not want you to take in literal terms. I do not remember. I only know that the impression was the Government would not feel it its duty to attack this transaction upon the ground that it was not what it purported to be.

Mr. LITTLETON. Do you know about what time the telephone message came from Washington?

Mr. LEDYARD. I could not tell you. I could not tell you. My impression would be that it was in the neighborhood of sometime in the day before 3 o'clock, but I do not know when.

Mr. LITTLETON. Do you know what time Judge Gary and Mr. Frick returned?

Mr. LEDYARD. I do not.

Mr. LITTLETON. Did you see them on their return—I mean in connection with their business at Washington?

Mr. LEDYARD. No; I never asked them anything about it, nor did they tell me anything about it.

Mr. LITTLETON. Did you at any time ever confer with either one of them before they went to Washington or after they returned regarding the object of their visit?

Mr. LEDYARD. I did not, and did not know they were going.

Mr. LITTLETON. Up to this time, Mr. Ledyard, had any of you conferred with the syndicate managers of the Tennessee Coal & Iron Co's. stock to see whether they were ready to sell it or not?

Mr. LEDYARD. I just told you I did not know there was a syndicate manager then.

Mr. LITTLETON. It appears up to this time that stock was being sold——

Mr. LEDYARD (interposing). I knew that the stock was what is called a pool stock, and that there was a pool or syndicate or some association of owners of that stock. I had never seen a syndicate agreement, and I thought in talking with gentlemen interested I was talking to representatives of the pool interest, but that there was a technical syndicate and technically a written thing under which Mr. A and Mr. B were appointed managers with power to sell—I did not know about that.

Mr. LITTLETON. Of course, you supposed you were dealing with the men who represented the ownership and control of the Tennessee Coal & Iron?

Mr. LEDYARD. I did. I knew some people had and some of them had not their stock with Moore & Schley.

Mr. LITTLETON. You knew Mr. Schley was simply a member of the syndicate individually, so far as any actual ownership was concerned?

Mr. LEDYARD. No; I thought that Mr. Schley—I understood from Mr. Schley in the beginning that they were carrying, as brokers, upon a margin, a very large amount of stock that was not in the pool stock.

Mr. LITTLETON. I want to get at this——

Mr. LEDYARD (interposing). I do not know how much it was.

Mr. LITTLETON. Was it the proposition of Mr. Schley to dispose of the free stock which he was carrying on margin, and which he was not able to claim or his firm, which was taken to Mr. Morgan, or was it a proposition from the syndicate, who owned and controlled a controlling amount of the stock which was not free, which was taken to Mr. Morgan?

Mr. LEDYARD. When I went to Mr. Morgan I did not know anything about a syndicate. I was going there for Col. Payne, to get Col. Payne's brokers relieved from their threatened destruction by having what I then supposed was stock which they were carrying in the ordinary form in which brokers do carry stock, to a very large amount, so arranged that it would relieve them from their embarrassment.

Mr. LITTLETON. That is true, but when you got to Mr. Schley——

Mr. LEDYARD (interposing). I had been to Mr. Schley before.

Mr. LITTLETON. I mean after talking with Col. Payne, and he had indicated——

Mr. LEDYARD (interposing). Then I saw Mr. Schley and Mr. Dickerman and Mr. Tierney at their office, and I did not hear a thing about the syndicate then.

Mr. LITTLETON. And you supposed when you went to Mr. Morgan, after your interview with them——

Mr. LEDYARD (interposing). I supposed I was talking about brokers' accounts.

Mr. LITTLETON. You were talking about brokers' accounts with stock which was pledged and could not be used as collateral?

Mr. LEDYARD. Yes; but I supposed, of course, that those brokers were in touch with their principals, and that they would get for a thing like this, which they would have no right to do unless they had their principals' consent—that they would get the consent of their principals to the same.

Mr. LITTLETON. Is there any way for you to tell us how much there was in what was called brokers' stock or stock held on behalf of their customers, and free stock in which at that time they were dealing?

Mr. LEDYARD. I do not think I knew that at the time, because I was so interested in getting the thing itself through that I did not consider whether it was A's stock or B's stock, or free stock, or pool stock, or syndicate stock that was to be disposed of. My object was to save Col. Payne's very large interest in that house as a creditor at the time. I think there were $30,000,000, in round numbers, of Tennessee Coal & Iron Co.'s stock, were there not, at par?

Mr. LITTLETON. Three hundred thousand shares.

Mr. LEDYARD. That would be $30,000,000 at par, which would be the total capitalization of that company. Mr. Schley has testified that there was some 100,000 or 110,000 shares that were pledged by them as collateral for their loans. That would account for ten or eleven million dollars out of $30,000,000, because that is ten or eleven million dollars. Then, there were 25,000 shares held by Col. Payne—10,000 shares in the syndicate which were not pledged to anybody for anything, and 15,000 that he held as collateral for some of the securities that he had loaned to them. That would be 25,000 more. That would increase the ten or eleven million I would thus know about, from Mr. Schley's testimony and from what Col. Payne had, to $13,000,000, or thereabouts, out of the $30,000,000. How much more there was I do not know, and never had occasion to know.

Mr. LITTLETON. Did not Col. Payne tell you there was a syndicate composed of 10 men?

Mr. LEDYARD. No.

Mr. LITTLETON. Who had bought so many shares of stock and held it as a syndicate?

Mr. LEDYARD. No; he told me the stock was known to have been purchased by a party of individuals, and that it was—because purchased by a party and pooled, which would be understood as being by a party—that it was inactive and no transactions, or merely nominal transactions, and that banks looked askance at it, and it was no longer good as collateral.

Mr. LITTLETON. When you went to Mr. Morgan, as I understand, after submitting the proposition of purchase of the Tennessee Coal & Iron stock by the Steel Co., you carried nothing to him, so far as you know, of the stock which was anyone else's than the brokers' stock, which was held there on a margin for their customers?

Mr. LEDYARD. So far as I then knew, I should think that statement is correct. Ultimately it became apparent it would not be hardly right for those people to be selling, without any provision for other stockholders to avail themselves of the same price.

Mr. LITTLETON. In other words, did it not turn out a little later that this stock which was there on mere brokerage account was less than the control of the Tennessee Coal & Iron Co. in amount, and also did it not turn out that it would not have been fair to the other

owners, syndicate or otherwise, to have attempted a sale of that by Moore & Schley without giving them an opportunity to avail themselves of the situation?

Mr. LEDYARD. I think that is very probable, but I know I could not testify directly to the first part of what you say. I know there were two gentlemen that I saw, one by accident and the other one I sent for, because he was a friend of mine and a client of mine. The one whom I met by accident was Mr. Oakleigh Thorne. I met him on the street and told him about it, and he said he had some stock which was not pledged at all at Moore & Schley's, but he would send it up or would want to put it in with the rest. Mr. Edwin Berwind I sent for. He was a friend of mine, a client of mine, and I telephoned for him to come and see me and told him what was on foot, and I said I understood he owned some of this stock, and he said he would put it in. So far as I saw the owners of that, I think there was a good deal of reluctance on their part to sell and of regret that the exigencies of Moore & Schley's situation made it necessary to sell. That is the plain fact of the situation.

Mr. LITTLETON. Is it not a fact that the free stock which was held by Moore & Schley and had become unpledgeable, to an extent at all events, if I may put it as a conclusion, because of the fact that that very stock was about to be sold to the Steel Co., the syndicate stock went——

Mr. LEDYARD (interposing). You mean the other way?

Mr. LITTLETON. No.

Mr. LEDYARD. Because the pledged stock was going to be sold?

Mr. LITTLETON. No. Up to this point——

Mr. LEDYARD (interposing). Strike that out, Mr. Stenographer; I did not catch the question. You are right.

Mr. LITTLETON. Because the very stock which was pledged with Moore & Schley on brokers' account was about to be sold to the Steel Co., the syndicate stock, which turned out afterwards to be in the syndicate, reluctantly yielded?

Mr. LEDYARD. Mr. Littleton, I think you are confounding or omitting to remember there was probably some stock that was in both categories.

Mr. LITTLETON. I know there was.

Mr. LEDYARD. That is to say, I think, as nearly as I can recollect, that while generally true, you will find that some syndicate stock was also carried by Moore & Schley as brokers.

Mr. LITTLETON. Mr. Hanna has said this, as he seems to be familiar with syndicate matters, that he thinks the syndicate had about 190,000 shares, roughly speaking, in their control.

Mr. LEDYARD. Was that before the stock was increased?

Mr. LITTLETON. No; that was after it was finally increased. Outside of that stock were about 100,000 shares, and by that I mean——

Mr. LEDYARD (interposing). That Moore & Schley had?

Mr. LITTLETON. I do not know whether they had all of it. I presume they had most of it.

Mr. LEDYARD. I do not know how much.

Mr. LITTLETON. The point I am making is this: Is it not a fact that the offer of free stock on brokers's account, or Moore & Schley's proposition looking to its sale, promised success—is it not a fact that that is what brought Hanna from Cleveland, and these other men

who had purchased it outright, Oglebay from his place—is it not a fact that that is what brought them to New York, either to object, if they could, and if they could not, to join in trade by putting the syndicate stock in with what was known as free stock?

Mr. LEDYARD. I will be perfectly frank about that. That includes another consideration. I do not suppose anybody believed the United States Steel Corporation would want to become a minority holder in the Tennessee Coal & Iron Co.

Mr. LITTLETON. That is apparent.

Mr. LEDYARD. It was a preposterous idea. At the time, my attention was not at all called to the difference between what you now call syndicate stock and free stock. It was Tennessee Coal stock. The Steel Co. was the natural purchaser for it, and there was nobody else that would have bought that stock, and there was not any reason why anybody should go to the Steel Corporation to help Messrs. Moore & Schley rather than to go to the Union Trust Co., of New York, except that they were probable purchasers of this stock. You might just as well face that fact. They were in that business, which was an extension of their business, and it was probable that there, and there only, would be found a market. That is frankly true. It was not, so far as I remember, even discussed, as to the possibility of the Steel Co. acquiring and becoming a minority stockholder in the Tennessee Coal & Iron Co. I think it was assumed—I certainly should have assumed it. I want to answer your questions frankly and not fence with them, and I am trying to make it as frank as I can.

Mr. LITTLETON. I very must appreciate that.

Can you tell me, or tell the committee, how much of what we now call the free stock there was—that is, did you have at the time information as to how much of that stock was up in collateral loan with the various banks and how much of it Moore & Schley had that they could not procure loans on?

Mr. LEDYARD. No; I do not know. All I have about that is Mr. Schley's testimony before the Senate committee. I very likely knew at the time; but it was four years ago.

Mr. GARDNER. You do not remember whether Mr. Joyce made any report on that?

Mr. LEDYARD. I do not think he probably did. I think Mr. Joyce's report was largely on what was Moore & Schley's condition.

Mr. LITTLETON. Did Mr. Schley bring Mr. Topping to see you at that time in regard to the inclination or disinclination of Mr. Topping to join in this exchange of securities?

Mr. LEDYARD. I do not recollect that. I do not recollect any disinclination on the part of Mr. Topping. I remember very generally, speaking generally, of those that I know of in this syndicate, without pinning myself down to the matter, that the impression made upon me at the time was they had gone into this principally because they believed in it and wanted to develop it and wanted to build it up, and they were all of them very regretful that the conditions which attached to Moore & Schley's business at the time rendered a sale of it imperative, and I think they all did it with reluctance.

Mr. LITTLETON. You mean their general credit was impaired?

Mr. LEDYARD. I do.

Mr. LITTLETON. And you mean it was general credit which had to be restored?

Mr. LEDYARD. I do.

Mr. LITTLETON. The question I ask is a little apart from that. In order to ascertain just in what way you could restore Moore & Schley, or how they were being broken down, would you not have to find, first, how much of the Tennessee Coal & Iron Co.'s stock they actually had out with the banks as collateral for their loans?

Mr. LEDYARD. Yes; and I suppose their books would show that.

Mr. LITTLETON. We will assume, roughly, they had out six or seven million dollars. I do not mean to hold you to that figure, however.

Mr. LEDYARD. Moore & Schley had out, Mr. Schley said, from 100,000 to 110,000 shares, and that is ten or eleven million dollars of Tennessee stock at par.

Mr. LITTLETON. They had $6,000,000 of loans, as they testified.

Mr. LEDYARD. No; it would make more than that. What he testified to was ten or eleven millions of stock. A 30 per cent margin would be more than $6,000,000 of loans.

Mr. LITTLETON. At all events, without holding it to a hard and fast figure, suppose there were $8,000,000 of loans which they had supported with Tennessee Coal & Iron Co.'s stock; suppose there had been accepted for the Tennessee Coal & Iron stock on those loans and substituted therefor the sinking-fund bonds of the Steel Co., what then would have happened?

Mr. LEDYARD. That is what they did do. That is what they did do to a large extent. The way in which this thing was done was this, and this is the way it was carried out: The arrangement was that—I think this will answer you a little—the bonds should be taken over. We wanted cash at first and the Steel people would not pay the cash. They said they would do that in bonds, and suggested the bonds might be available to us. I talked that over with Col. Payne and Mr. Schley, and finally we thought they could get along with the bonds. It has been suggested before that this was a mere exchange of securities, and not a dollar passed, and that there was no money in it. Those bonds were at once largely sold. The question came up as to what price the bonds should be taken at. Judge Gary and I disagreed upon it. Judge Gary wanted the price to be such that would be the price on the next business day. I said no; I would not take any chance or gamble on it. I said, "We will take the price of something that has happened already," and I suggested we take the price of the last business day. He would not do it, but finally agreed to leave it to Mr. Morgan, and Mr. Morgan said he agreed with me, that it was fair to take the price of steel bonds at the price of the last business day before the ultimate settlement, and that was 84, which made it 119 for the bonds for their shares of the Tennessee stock.

Mr. LITTLETON. Do you think it possible for the committee to ascertain, through Mr. Joyce or elsewhere, the exact condition of this stock situation in Moore & Schley's office, so that we can tell whether it was really the tail wagging the dog or the dag wagging the tail—that is, whether the free stock, which was less than the majority, because it was in a precarious situation, was bringing the syndicate stock into line?

Mr. LEDYARD. It was not either the tail wagging the dog or the dog wagging the tail. It was Moore & Schley taking relief in the only way they could get it. It was their involved condition that made it necessary to do the thing. That which would save them would save the situation in Wall Street. I mean to say that whether they spoke for the syndicate stock or for stock that they held as collateral on loans, which they had a right as brokers to repledge, but would not do it, and which they had a right to sell, would not make any difference. Whatever there was in the way of stock holdings, stock ownership that would stand in the way of their being able to make the sale, they would have to try to get to come in with them, whether it was the owner of pledged stock or the owner of stock that had it in his box in Cleveland, Ohio.

Mr. LITTLETON. Would not this be true, that in order to find out exactly why the Tennessee Coal & Iron Co.'s stock was carrying Moore & Schley down you would have to know how much they had in loans from banks on that stock?

Mr. LEDYARD. No.

Mr. LITTLETON. Why not?

Mr. LEDYARD. Because—if I may put that to you—Moore & Schley owed, we will say, thirty-odd million dollars on loans. They had, as I knew, other obligations besides. They had collateral to put up for those loans. They were known to be identified with the carrying of large blocks of Tennessee Coal & Iron. Suspicion attached to that stock, and being a stock there was no market for and if you sold a few thousand shares of it the market would go right up from under you; the banks lending on that stock would have no security to rely upon in time of trouble. That being the situation, Moore & Schley themselves were subject to rumors. Their responsibility was being undermined by rumors. In a time, as you will understand, and as I think most of the committee will understand, of such utter distress as that panic produced, it was only enough for a little distrust to be created about anybody for a great deal more to be engendered. So Moore & Schley's credit was affected by Tennessee Coal & Iron Co.'s stock. The mere taking up of those loans would not have restored it. The mere specific taking up of this amount they had loaned on those securities would not have done it. If you will look at the records at the time you will find an enormous sale of Steel bonds at once occurring. They were converted at once. Even before they were issued, I think, some of them were sold to be delivered after the transaction was complete and settled, because it took some little time to have those bonds certified, and I think the trust company which was the trustee of them appointed I do not know how many vice presidents, who sat overnight certifying the bonds.

Mr. LITTLETON. How were they all sold at once? They belonged to different people, did they not?

Mr. LEDYARD. In the first place, I do not know. I suppose they were sold with the consent of the owners by Messrs. Moore & Schley. I know that they liquidated very largely those Steel bonds at once; so that they had actual money which was produced by the Steel bonds which they received. If you will take the month—there were no new Steel bonds going onto the market all of a sudden, except these that were purchased by this exchange—and if you will take the records of the exchange for the month preceding and the records for November

you will find that there was an enormous increase in sales of Steel bonds in November and December while there was liquidation going on in them for the liquidation of these accounts.

Mr. LITTLETON. Of course, there were a number of people whose stock Moore & Schley had, and whose stock was in their collateral loans?

Mr. LEDYARD. Yes, sir.

Mr. LITTLETON. How were exchanges made? Did Moore & Schley deal with the bonds which they got in return for the stock as general managers for everybody's ownership?

Mr. LEDYARD. I suppose that did that. I was not counsel for Moore & Schley; they had their own counsel, Mr. Thatcher, always present, and I assume they did what they ought to have done, which would be that they could do one of two things. It may very likely be, Mr. Littleton, a good many of those accounts in which they had those Steel bonds were in default.

Mr. LITTLETON. Is not that just the point?

Mr. LEDYARD. In that case they could act; that is to say, people who were in default on margin, when the broker would have the right to deprive him of his account and close it up, or to strengthen it—those people were in that situation. That may have been one of the questions in the case. Another class of cases may have been those in which Moore & Schley said to the customer: "We want by agreement to close up some of these in order to strengthen the account."

Mr. LITTLETON. Is not this the situation, that the free stock which Moore & Schley had put in their firm as brokers for customers had largely suffered before on account of failure of the customers to cover on the decline

Mr. LEDYARD. I do not want to mention any names, but I know that to be largely true in one very important case, about which I would not like to be pressed, but a very important case, and in very large amounts—in that instance that was true.

Mr. LITTLETON. To put it frankly, his name has already been used, for your mind is running in the same direction mine is. Was not George W. Kessler short with the firm of Moore & Schley, and did he not fail to cover, and did they not, by reason of that fact, become the owner of the stock, and was not that true of a large number of customers?

Mr. LEDYARD. I do not know those facts of my own knowledge.

Mr. LITTLETON. Do you think we could ascertain just what amount of customers' stock in Moore & Schley's hands had become theirs by the default of customers, or had become subject to be sold by them as a pledge, on account of the condition of the money market, and the inability of the parties pledging it to make good?

Mr. LEDYARD. I do not know. There must be those in existence who know the facts. I do not know them.

Mr. LITTLETON. Do you know whether they became, for that reason, the owners or potential owners of a very large amount of free stock, as a firm, because of the default of their customers, or some of them?

Mr. LEDYARD. I think they did, Mr. Littleton, but I do not have personal knowledge of the facts, and I do not know to what extent that condition existed.

Mr. LITTLETON. If I may pursue the inquiry a little further, was not the crisis ensuing from that, and the acute pressure which grew

out of that, which finally caused Mr. Schley to submit to you the proposition to sell that defaulted stock which they had become the owners of, to sell it to the United States Steel Co. before it was ever mentioned to the syndicate of which Mr. Hanna was one of the managers?

Mr. LEDYARD. I so understood. I understood this, as I said to you before—I think Mr. Schley's firm had a great many securities of an uncurrent character, which, in those times, they might just as well not have had at all for the purpose of collateral. I think they became very much pressed. I think the banks became very suspicious of Tennessee Coal & Iron Co. stock as collateral, as an inactive stock, for which there was no market price, and I think they did not know which way to turn to keep their loans good and avoid further default.

I ought to have said one other thing that occurs to me. I want to be perfectly candid between those two interests who dealt there. This is directly related to what you are saying now, Mr. Littleton. I remember in one interview at which Judge Gary was present, I think—it may have been after his return from Washington, or it may have been on election day, Tuesday; I am not sure about it. But when they left for Washington there was not anything absolutely settled or decided.

Mr. LITTLETON. You mean when they left for Washington?

Mr. LEDYARD. Yes. They had not made a deal, so far as I was concerned, and I was the one speaking about it mostly. They had not made a deal at any price, although I felt they would. Judge Gary was always endeavoring to bargain about the price, his idea being it was not worth the par we asked; and I remember my saying repeatedly it did not make any difference what they were worth; if they were good to-day for anything, the thing was to save Moore & Schley, and there was no use selling it unless it was a price which would accomplish that purpose. We had that talk one day, and Mr. Frick was present, and then they went over to the next room, Mr. Frick and Judge Gary, to the other room in the library. Their conferences took place generally in that other room, and they would come back to me in this room, and I was not present at their conferences between themselves. Mr. Frick came back this time, and he came into the room where I was, and he said, "Mr. Ledyard, I want to ask you something. I have known you for years, and I know you very well, and I depend absolutely upon what you say. Have you looked into this situation yourself of Moore & Schley?" I said, "Mr. Frick, I have looked into it to the extent I have been able. I have not been personally over their books, but I have been over it with their bookkeepers, and I have been over it with Mr. Schley, and I have done what I can to familiarize myself with their affairs and the necessities of their condition." He said, "Are you of the opinion, from what you have seen and from what information you have gathered—are you frankly of the opinion that nothing less than par will pull these people out and save them?" I said, "I am, Mr. Frick. I do not think any less than par for the Tennessee stock will pull them out, and I do not know whether that will do it, but I think it will." He said, "Very good, Mr. Ledyard; if you say so, that is the end of the entire question for me."

Mr. LITTLETON. Who said that?

Mr. LEDYARD. Mr. Henry C. Frick. I had been over with Mr. Schley what would be the condition that would be produced after the transaction in case it were carried out, what he could do with his loans, and what exchanges he could make of collateral with this loan and that loan, and manipulating these matters inter sese with the banks—what amount of mixed loans he would still have out, and what the collateral would be and what the margin would be upon those loans, and what he would have left in his box. I said to Mr. Frick, "Mr. Frick, I do not know whether that is going to be enough. They will come through with this, if these were the only obligations they had, and they will come through with this if this panic does not go any further, but nobody can tell where it will stop. I will tell you what I suggest. I think I can get three gentlemen to come to the aid some more." They were to have presumably whatever it might be. My recollection is now they would have their loans margined at 25 per cent, but I do not speak by the card about the figures. They would have perhaps three and a half or four million, or whatever it might be, in the box as additional collateral, which might not be quite good in character. I said, "There is going to be a good deal of trouble about changing these loans, and there is going to be for some time a suspicion of the credit of these gentlemen and of this house, and I think I can induce three gentlemen to come here and help."

He said, "How?" I said, "I have talked it over with Mr. Morgan and suggested it could be done, and Mr. Morgan said he was willing to assume the office that I was suggesting I should fill, which was that three gentlemen, one of whom was Col. Payne, should put up with J. P. Morgan & Co. securities of their own, which would be good and which Mr. Morgan would consider perfectly good securities for him, and to give each of these gentlemen a cash credit of a million dollars thereupon; those securities to be put up for the purpose of securing advances to be made by Mr. Morgan to each of these gentlemen in cash, not to exceed $1,000,000, to be used by Mr. Morgan in his discretion in the future to save Moore & Schley, in changing their loans and strengthening them as he felt proper. Moore & Schley were to have no right to call any of that money, and it did not belong to them. Mr. Morgan, as an individual, was to be the arbiter for the use of that money whenever dangerous spots arose in the future concerning their business. Col. Payne was one of them, and he sent me down a lot of securities, and I informed Mr. Morgan I had them, and he said that was all right. I offered to deposit them with him, and he said, 'You can keep them, but Col. Payne has his credit of a million dollars for the purpose.'"

There were two other gentlemen that had done the same thing, so as to make an additional guaranty of $3,000,000 of a fund to be used in Mr Morgan's discretion. J. P. Morgan & Co. had agreed to carry through this whole thing. They made the offer. There were a great many details of mechanical work to be done about the exchange of these bonds for the stock. It was scattered all over in loans and in different places, and it was necessary to have somebody do all that work. Suppose a man owed a bank some money upon a pledge of that Tennessee stock, he could not get his stock out to go and get his bonds and put them in the bank in place of his

stock, because the bank might not trust him while he was making the exchange. So J. P. Morgan & Co. came in—and it is fair to them to say they contributed their services on that—on this whole business—and the services of their office and office force without a dollar of charge of any kind to the Steel Co. or anybody else. They issued their negotiable paper——

Mr. STERLING (interposing). I was mistaken about what the record shows with reference to that, Mr. Ledyard.

Mr. LEDYARD. Yes. There was not a dollar of commission paid to anybody on the whole transaction. Mr. Morgan turned his firm and forces loose on this business, and they did the whole thing and made all the exchanges and issued their negotiable receipts for the bonds exchanged for the Tennessee stock, and those receipts were substituted for the stock and the stock taken up.

Mr. STERLING. Have you read Judge Gary's testimony before this committee?

Mr. LEDYARD. Not very carefully; and not for some time.

Mr. STERLING. Judge Gary testified that before the United States Steel Corporation seriously considered buying the stock of the Tennessee Coal & Iron Co. that somebody suggested a loan of $6,000,000 be made to Moore & Schley.

Mr. LEDYARD. He suggested it to me.

Mr. STERLING. And that then three other men proposed to add $1,000,000 each, making $9,000,000 in all.

Mr. LEDYARD. Judge Gary is mixed on that, if you will allow me. I was more familiar with the matter than he, because the suggestion came wholly from me about these three $1,000,000 loans.

Mr. STERLING. That is what you refer to?

Mr. LEDYARD. That is it.

Mr. STERLING. It did not come until after the negotiation was practically closed?

Mr. LEDYARD. It was sort of a final inducement, which I suggested to Mr. Frick, to make the thing effective and to induce him to agree to pay the price. There never was any suggestion from Moore & Schley, or from Col. Payne, or anybody, that a loan of five or six million dollars should be made by the Steel Co., or that any loan by these three men of $3,000,000, by these three individuals, as you say, because, as a matter of fact, that advance was predicated wholly upon the result of the status which would be created by the exchange of the bonds for the stock.

Mr. STERLING. It was proposed in consideration that the deal went through, and not for the purpose of avoiding the necessity of making the deal?

Mr. LEDYARD. That is right, so far as the $3,000,000 were concerned. It had no connection with that loan. I think some member of this committee rather mistook that. I think some member of the committee—I was familiar with it, and I did not read Judge Gary's testimony just as the committee did. It was a loan of $6,000,000 offered by the Steel Co., and then a loan of $3,000,000 more from these individuals in the same transaction and as part of the same thing. The arrangement about the $3,000,000 advance as a guaranty fund by individuals was thought of by me, suggested by me, and was predicated only in case a status arose such as would be produced by the exchange of the stock for the bonds at such a price.

That would put Moore & Schley in position where we felt that guaranty fund back of them would put them through safely.

Mr. GARDNER. Let me read exactly what Judge Gary said, in order to have you satisfied that he said it, and in order that you may state if it is incorrect. He said:

I went back to Mr. Ledyard and made a proposition to make this loan to Schley—that is, $5,000,000 or $6,000,000 in cash. He talked with Schley, and made answer that would not do at all; that they could not get along with that; that Mr. Payne himself had offered to loan Mr. Schley, I think, a million dollars; some one else had offered to loan a million dollars; and some one else or other a million dollars. So that, as I remember, there were about $3,000,000 additional, which would provide, in cash, to Moore & Schley about $8,000,000 or $9,000,000.

That clearly indicates——

Mr. LEDYARD (interposing). Judge Gary is in error in his recollection, I am quite sure. There was never any suggestion of a loan from individuals, except from myself, and that suggestion was made not of a loan, but a guaranty fund to be furnished to them through Mr. Morgan for use to protect the loans of Moore & Schley in Mr. Morgan's discretion, provided the status was established which we thought would be produced by the exchange of the Tennessee stock for Steel bonds at 119.

Mr. LITTLETON. Returning for a moment to this stock question, you have stated that your client, Col. Payne, had, to the extent of $7,000,000 or $8,000,000, exchanged standard for uncurrent securities. Had those exchanges been made along from time to time up to the time of this proposed transaction?

Mr. LEDYARD. Some before and some afterwards.

Mr. LITTLETON. Is it not a fact that when the customers defaulted as to their pledges with Moore & Schley, and they themselves became the owners of a large amount of this stock, this Tennessee Coal & Iron Co.'s stock, the pressure came about in this way: Col. Payne could not longer, or was unwilling any longer to exchange standard securities for uncurrent securities of the kind and volume thrown on Moore & Schley's hands by the default of their customers. In other words, did not they have a lot of Tennessee Coal & Iron Co. stock, at that time free, which had been defaulted upon, which they could not exchange with him for standard securities, and which the banks would not accept as collateral?

Mr. LEDYARD. To what extent that was true of the Tennessee Coal & Iron Co. I do not know; but from my recollection—what Col. Payne took over for the standard securities which he gave them was not only Tennessee Coal & Iron Co. stock. There were a great many other uncurrent and inactive securities, the value of which at that time, although they were perfectly good and some very valuable in themselves—valuable for collateral purposes for collateral loans—was very problematical, such as American Tobacco common, on which nobody would loan at any value in the panic; and such as Guggenheim explorations; and they had in addition a large number of mining stocks and things of that sort.

Mr. LITTLETON. Had your client, Col. Payne, taken over in exchange for standard securities any Tennessee Coal & Iron Co.'s stock?

Mr. LEDYARD. I think only 15,000 shares.

Mr. LITTLETON. How recently before this proposed exchange had he taken over those shares?

Mr. LEDYARD. I do not know. He had dealt with bonds and other securities. I do not know; I was brought in after the event as to that loan.

Mr. LITTLETON. Were not there some current securities he had had which were a part of the securities that went to secure Mr. Morgan?

Mr. LEDYARD. No; Col. Payne put up his own—I have forgotten—in order to secure that million of credit with Mr. Morgan; I think he put up securities that had never been upon Moore & Schley's books or in their hands. He went to his box and took them out and turned them over, and I remember distinctly what they were.

Mr. LITTLETON. Where would you say the sharpest pressure was in this transaction? Was it the pressure of the banks who held Moore & Schley's loans with Tennessee Coal & Iron Co.'s stock as collateral, calling upon him for substitution, or was it the pressure which resulted from the fact that they had become, by the default of their customers, large owners of the free stock of this concern, which they did not own or could not handle——

Mr. LEDYARD (interposing). Those are the same things; they are the same things.

Mr. LITTLETON. That is, the bank would not take——

Mr. LEDYARD (interposing). It comes to the same thing. I could not dissect cause and effect sufficiently to follow them out, because they are really quite the same thing.

Mr. LITTLETON. Let me ask a question about it, so I will merely think out loud and get it in my head:

It has the same effect; that is, if the banks would not accept this stock which fell into their hands by reason of default, then they could not get any money on the stock?

Mr. LEDYARD. No.

Mr. LITTLETON. They had no market for the stock?

Mr. LEDYARD. No.

Mr. LITTLETON. And it would be just the same in effect as if the banks which had the stock up for their loans would tell them to eliminate that from their collateral?

Mr. LEDYARD. That is why I say it was the same thing. In either case it was a curtailing of their resources by raising money which they needed to carry their loans through.

Mr. LITTLETON. The opportunity to make sale to the Steel Co. came about by reason of the fact that they had on their hands, as defaulted stock, that which their customers could not cover, and they therefore were free to deal with that very stock, that free stock, and able to bring about this trade.

Mr. LEDYARD. That may very likely be it, but, as I said before, that touches a point upon which I said I did not have personal knowledge.

Mr. LITTLETON. Do you know when first Mr. Hanna and these other men who were in this syndicate were consulted with reference to their willingness to sell—at what point in the transaction?

Mr. LEDYARD. I have seen Mr. Hanna's testimony, or the newspaper reports of the testimony, given here yesterday to the effect that he testified that Mr. Schley communicated with him by telephone at Cleveland on Sunday. That is a matter I know nothing about. I knew nothing about Mr. Leonard Hanna's information on the subject until I saw him here, which was after that time.

Mr. LITTLETON. Did you have any idea how much stock you were representing when you went from Mr. Schley to Mr. Morgan?

Mr. LEDYARD. I do not think I was representing any.

Mr. LITTLETON. I do not mean "represented" in a strict sense. I do not want to put you in an unfortunate position by any inaccuracy of word of mine. But how much stock did you suppose Mr. Schley represented at that time?

Mr. LEDYARD. I supposed—and I do not know what I can base it on, but my impression at the time was—my contemporaneous impression—that it amounted to substantially a majority of the Tennessee stock.

Mr. LITTLETON. Of course, you understood the steel company nor Mr. Morgan, coming in and knowing this situation, would deal with anything less than a majority of the stock?

Mr. LEDYARD. I did not suppose they would, and I did not suppose people would sell the majority and leave the minority holdings unprotected in the sales they were making themselves.

Mr. LITTLETON. Did Mr. Schley tell you about his being a general manager with Mr. Hanna of the syndicate which controlled about 190,000 shares of this stock?

Mr. LEDYARD. I do not think I learned that until much later in the transaction; at least, that is my impression.

Mr. LITTLETON. Did not Col. Payne tell you the stock had been syndicated?

Mr. LEDYARD. He said it was pooled, but the particular thing that arose in my mind—I can put it in this way, to figure it out to you as it happened. Col. Payne suggested to me that this should be done to save Moore & Schley, and that the steel company might be induced to buy the stock of the Tennessee Coal & Iron Co. I did not stop to see who had a right to sell it then. I did not stop to see the technical thing. Mr. Schley was represented throughout by his own counsel, Mr. Thomas Thatcher, who was present at nearly all our meetings. What they had a right to do as representing their constituent customers or the people to whom they had loaned, did not interest me at that time at all. Col. Payne was the only one I knew, and I was assuming that other thing would be taken care of by Messrs. Moore & Schley, with their own counsel.

Mr. LITTLETON. If the banks which had Tennessee stock in their collateral loans had not criticized it, we will say, and if the banks with whom Moore & Schley dealt had accepted that Tennessee Coal & Iron stock as collateral which they had on their hands by reason of default of their customers, or by reason of the fact they held it as a pledge—if that had been true, the things that brought about the difficulties of Moore & Schley would have been obviated, would they not?

Mr. LEDYARD. No; I think not; lessened, but not obviated.

Mr. LITTLETON. What fundamental or other difficulty was there that threatened their disaster and destruction?

Mr. LEDYARD. You see this thing was done. The Tennessee Coal & Iron Co.'s stock was taken up, and bonds substituted therefor. The great liquidation of those bonds had to be made, and while Col. Payne had to aid them with additional help at that time, with the steel bonds that he received in exchange for the Tennessee Coal Co.'s stock, amounting to two and a half million, or thereabouts, that

two and a half million of steel bonds Col. Payne again turned over to Moore & Schley, in addition to what he had already turned over to them. They needed a good deal more than that.

Mr. LITTLETON. How much liquidation was there in steel bonds?

Mr. LEDYARD. In the month before—I looked it up in the financial papers at the time—a good while ago, but, if I am not mistaken, in October, which was a time of enormous liquidation in the panic, I think four or five millions of steel bonds were the total sales on exchange. That ran up during this month, when these steel bonds came in, to over $20,000,000. They sold on the exchange to that extent; and there were a great many of them sold, to my knowledge, not on the exchange, where no record of sale would be made; and in December the same activity continued, and I think there were over $30,000,000 of steel bonds sold on the stock exchange in November and December of that year, as against normal sales of three or four million dollars.

Mr. LITTLETON. From that you take the inference that there was a great liquidation?

Mr. LEDYARD. I know there was. I do not take it from that, because I know there was. I was insisting on some liquidation myself on Col. Payne's account. You see, I wanted to make Moore & Schley's resources available just as far as they would go. Moore & Schley—let me make this plain—for the present were borrowing money on steel bonds, and a good percentage of it was not available, because it had to go on a margin, but I guess you understand what I mean. Suppose I have $1,000 worth of securities. I can not borrow $1,000 on that. When my security is worth $1,000 I can borrow only $750 on it, because nobody will lend me unless I give a margin of $250. The liquidation of the steel bonds, converting them into money, meant an enlargement at once, with some possible loss to Moore & Schley, against their ultimate getting out on the matter. There was a question of safety in the matter, because it involved a liquidation and reduction of this large amount of aggregate loans they had outstanding. On Col. Payne's account I insisted that they should liquidate their steel bonds, which at once made more effective the aid they had in the steel bonds, because then their loans would be reduced.

Mr. LITTLETON. That is assuming they owned the bonds themselves?

Mr. LEDYARD. That would be assuming that to the extent, as you say, that they had a right as brokers to convert the defaulted stock, and they would have a similar right to the proceeds.

Mr. LITTLETON. Do you know whether Mr. Morgan was ever called on to use any of that guaranty fund?

Mr. LEDYARD. He never was. I kept closely in touch with that situation for months afterwards.

Mr. LITTLETON. Do you know who Moore & Schley's loans were with?

Mr. LEDYARD. I did know. Very largely, at the time, they were in banks and trust companies in New York, Boston, Chicago, and Philadelphia. There was one considerable loan to them from Mr. Morgan's firm—I think J. P. Morgan & Co.

Mr. LITTLETON. How much was that?

Mr. LEDYARD. That I do not remember, but I think it was one of the largest loans they had, and J. P. Morgan & Co. had never called on them for anything, and had never objected to their Tennessee Coal & Iron Co. collateral.

Mr. LITTLETON. Did they have any Tennessee Coal & Iron up with that loan as collateral?

Mr. LEDYARD. They had.

Mr. LITTLETON. Do you know how much?

Mr. LEDYARD. No, sir; I do not.

Mr. LITTLETON. Do you know whether any of those banks or trust companies had called their loans on account of the Tennessee Coal & Iron Co.'s stock?

Mr. LEDYARD. You know, Mr. Littleton, at that time money did not exist.

Mr. LITTLETON. No; of course not.

Mr. LEDYARD. I only knew they reported to me they were constantly asked to shift loans.

Mr. LITTLETON. Shift the Tennessee Coal & Iron stock?

Mr. LEDYARD. Yes; and other loans also.

Mr. LITTLETON. Was Tennessee Coal & Iron Co. stock a conspicuous stock which they were asked to shift?

Mr. LEDYARD. More so that any other. There was American Tobacco common and other uncurrent securities which they had up, but the great trouble was the preponderating amount of Tennessee Coal.

Mr. LITTLETON. Did they tell you at all what banks had asked them to shift these Tennessee collaterals?

Mr. LEDYARD. No. I know something about that, but not from them. I know that Mr. Baker, who was president, I think, then, of the First National Bank, the thing generally called the Morgan Bank—there was a large line there, or a considerable amount. That bank never called it and never objected to it. On the contrary—I do not know whether it is generally known—Mr. Baker was Mr. Schley's brother-in-law.

Mr. LITTLETON. That would help some.

Mr. LEDYARD. He was one of the gentlemen who was not desirous of bringing about ruin for Mr. Schley and who would advance $1,000,000 to the guarantee fund. Mr. Morgan had been trying to help, and I want to say this before the committee—you are allowing me to testify, because I knew all about these facts—that there never was a more cruel, more unfounded, and more outrageous thing than the suggestion that I have seen in the newspapers, that either the Morgan banks or Mr. Morgan's interests or the United States Steel people suggested or brought about or engineered or inspired an attack on Moore & Schley or on the Tennessee Coal & Iron Co.'s stock as collateral for the purpose of acquiring that stock. Gentlemen, I say to you that thing never happened, and it is as false as anything that ever was suggested in the way of slander.

Mr. STERLING. Did any of the Morgan banks suggest that this Tennessee Coal stock ought to be taken up?

Mr. LEDYARD. When you speak of "Morgan banks," of course, that is a good deal of a newspaper description of what banks you are referring to.

Mr. STERLING. That is all I know about it—what they call "Morgan banks.'

Mr. LEDYARD. There are mighty few things in New York that are really "Morgan banks." I suppose the impression exists abroad that Mr. Morgan owns or controls a majority of the stock of a lot of banks in New York, or is a director in them, or controls the directors or controls their policies. He is a director in the First National Bank. I do not know that he is in any other. But if Mr. Morgan has any influence in these financial affairs here, it is because people in New York believe in the worthiness of his methods and his character. That is the reason.

Mr. YOUNG. Say that a little louder, will you?

Mr. LEDYARD. If there is any reason why Mr. Morgan has influence in New York, it is because the people of New York and, I believe, the people of the country generally, believe in his character and the worthiness of his motives, and believe in him as an upbuilder of property; and this talk about Morgan banks and Morgan influences in New York is wrong. His real strength with the people is because they believe in him, and that is his strength with the business people of this city.

Mr. LITTLETON. Without taking as attacks upon Mr. Morgan any of the things that have been said here——

Mr. LEDYARD (interposing). I am not defending him. I am telling you what I think from 30 years' experience in Wall Street.

Mr. LITTLETON. May not the situation in New York, the financial system of the country itself, the currency plan of the Government, the organization of its banks and trust companies themselves, inevitably lead to the support of Mr. Morgan in the great potential and actual position he occupies in the financial matters of this country?

Mr. LEDYARD. I do not see how, unless you say that the honest man has influence, and the dishonest man has not.

Mr. LITTLETON. You have said a moment ago that it was a very cruel thing to suggest.

Mr. LEDYARD. The Tennessee Coal is a thing I happen to know about of my own personal knowledge, and I know perfectly well that things that are called Morgan banks are not his banks at all.

Mr. LITTLETON. You said it was a cruel thing to suggest that the Tennessee Coal & Iron stock was attacked——

Mr. LEDYARD (interposing). Cruel because untrue.

Mr. LITTLETON. Let me finish my question.

Mr. LEDYARD. Yes, sir.

Mr. LITTLETON. You said it was a cruel thing because not true and because of the fact that there was no attack made on it, and no suggestion made by the Steel Co. and none made by the Tennessee Co. themselves, and that it was cruel for that reason, because it was unfounded and no such motives or principles ran through it. May there not be this situation: May it not occur to the outsider, even to the committee, that if Mr. Morgan and Mr. Baker and Mr. Payne, and the banks generally, especially the Morgan banks, so called, were so tender of Moore & Schley and the Steel Co. was so generous toward them, they could have saved Moore & Schley from failure, without having gone to the extent of having talked to the President of the United States and asked him if they might take over the Tennessee Coal & Iron Co.?

Mr. LEDYARD. I only hesitate to answer—in the first instance, in your question you are including Col. Payne in the matter.

Mr. LITTLETON. I had him because he had been helping.

Mr. LEDYARD. He had been helping Moore & Schley, but in the group of banks in New York——

Mr. LITTLETON (interposing). The whole point of my question is this: If those men were all friendly and they were in distress, why was it necessary or deemed necessary to resort to a proceeding which required the Federal Government to consent to it, as to the Tennessee Coal & Iron Co.?

Mr. LEDYARD. You ask me something which involves a conclusion that it required the Federal Government to consent to it. I do not think it did.

Mr. LITTLETON. Judge Gary did, I understand.

Mr. LEDYARD. I am not responsible for his legal views. I have my own. I do not consider, and I did not then consider, and never have considered since, that there was anything unlawful in the acquisition of this stock of the Tennessee Coal & Iron Co. by the United States Steel Corporation. I do not know anything in the law that makes it unlawful. I did not then know it, and since I have read the recent production of our learned Chief Justice I am still of the opinion that there was not anything unlawful in it.

Mr. YOUNG. I think you are perhaps doing an injustice to Judge Gary's opinion. Judge Gary's statement upon that point——

Mr. LEDYARD (interposing). I was going on with that. I can understand, however, this: As I said before, the reason we went to the steel company, the reason Col. Payne suggested I should do that, was that they were a probable purchaser. Whatever political capital may be made or sought to be made out of one act or another that people may have committed, for I myself have a very simple mind, I do not see anything very extraordinary in everything that a corporation like the Steel Co. attempts to do; yet such acts are twisted and turned into political capital and into a ground of attack against it. I do not see why, when the time comes along that such a corporation is doing a thing for a trustworthy purpose and to accomplish an object which is right, they should not go to the Government and say, "Now, here, if you are going to attack——." These are the facts: "If you are going to attack us for these things that we are doing for such and such purpose, based upon the facts which we have outlined to you, we will not do it, but we are going to ask you beforehand whether you think there is any ground for attack, and whether you will consider it your public duty to attack us for doing it." I do not think there is anything very strange in that. I did not know they were going to do it, and I was no party to their doing it.

Mr. LITTLETON. It is only strange in this particular, so far as I am concerned, and that is that under the provisions of the Sherman antitrust law, the only power on earth that could have prevented this was the Attorney General——

Mr. LEDYARD (interposing). You and I are practical men, Mr. Littleton. I think I am, and I know you are.

Mr. LITTLETON. I hope you do not use that in the sense in which it has become recently popular?

Mr. LEDYARD. I do not. I use it in the sense that I think you and I are men of common sense, and particularly that you are, or you never would have got where you are in life. You know how a political controversy is created, and you know what creates it, and you know how things are brought together for the purpose of creating it, and you know its consequences when it once gets loose. I think if you were advising a client, with your practical experience, you would say: "Here is the thing for you to do, which is perfectly legitimate for you to do, in my opinion as a lawyer; but if the administration chooses to attack you for it, is it worth while for you to do it? If so, you had better go and ask whether it is one of the things they will make political capital out of."

Mr. LITTLETON. What do you think about the administration that undertakes to pledge itself not to attack?

Mr. LEDYARD. I am a Democrat, you know, Mr. Littleton [laughter]; at least, I have been brought up as a Democrat and have been trying to be a Democrat. I have been trying to stay one for years and years, though it has been getting harder and harder all the time.

The CHAIRMAN. I imagine the gentleman has in mind that possibly this party, of which he is a somewhat unenthusiastic member, would not do such a thing. I am not expressing any opinion about the legality of it.

Mr. LEDYARD. I am an older man than you, Mr. Chairman, I regret to say, and I was born and bred in the Democratic party. My grandfather was its candidate for President of the United States, and I have never known anything but the Democratic doctrine; and the Democratic doctrine that was is the one that I hold onto to-day. I think some of my party have been coqueting with strange gods of recent years, and that only occasions regret on my part that I can not follow them.

Mr. LITTLETON. They wandered in the wilderness and got lost while doing so, didn't they?

Mr. LEDYARD. Yes; they did. But I am glad they have come back and are attending to business.

Mr. STERLING. But have they and are they?

Mr. LEDYARD. I think so; yes.

The CHAIRMAN. I do not mean to be the least offensive, and I hope you will understand that——

Mr. LEDYARD (interposing). Nothing you could say will be offensive, Mr. Chairman, because I know you would not intend to be.

The CHAIRMAN. If it be true, as asserted by, for instance, the Commissioner of Corporations, that the United States Steel Corporation was the owner of and in control of 75 per cent of the iron ore of the Lake Superior region, and that that region and the Birmingham region were the only two great ore bodies in the United States where pig iron could be produced most cheaply, that the zone of operation of this Tennessee Coal & Iron Co.—one that hitherto was not under the control of the United States Steel Corporation—and between the two areas there existed competition, and that the absorption of the Tennessee Coal & Iron Co. would add 46 per cent to the enormous holdings of the United States Steel Corporation, and would destroy and prevent competition, and would give to the concern which, as Judge Gary says, has an ultimate monopoly on the business of prac-

tically double its natural resources, as well as to control the business of this company's zone—do you believe that could be absorbed without violating the language of the act against a transaction in restraint of trade?

Mr. LINDABURY. Mr. Chairman, I wish to enter an objection to that as not correctly summarizing the commissioner's report.

Mr. LEDYARD. If your facts were true, it would be something of an indictment; but I would like to pull it to pieces a bit, because some of those facts might lead to one conclusion and some to another.

So far as the effect upon competition is concerned, I should not care anything about it, as I read the decisions of the supreme law of the land to-day. The only thing that impresses me seriously in what you quote from the Commissioner of Corporations is a thing I do not know about as a fact.

The CHAIRMAN. I am not quoting him as to facts.

Mr. LEDYARD. That is the acquisition of property which is limited in amount by nature. I have always conceded—and I did in the joint traffic case, in which I was one of counsel—that where there would be an acquisition of property in a necessity of life, like minerals or like oil, which is limited in amount, that perhaps the public may have an interest in preventing the acquisition in that case, because that is a practical monopoly. It is the only practical monopoly I know of to exist, but I did not understand this case to involve that question.

The CHAIRMAN. I am not expressing any opinion as to whether or not the United States Steel Corporation is a monopoly. I am simply quoting from a statement of the Commissioner of Corporations. I will admit, however, I was somewhat surprised to even think that the eminent counsel would infer that a monopoly of natural resources could be acquired by one competing concern purchasing, even though both parties were willing, from another actively competing concern, with the result of that purchase being a practical monopoly of a great resource, like the iron ore, without violating the existing law.

Mr. LEDYARD. There may be something in the acquisition; I do not care whether you acquire it in one way or another. If it is mere acquisition of that which is necessary, and which is limited by nature in amount, that can not be produced by the application of capital and labor, there may be something in it.

Mr. GARDNER. Mr. Chairman, I have a few questions.

The CHAIRMAN. Proceed, Mr. Gardner.

Mr. GARDNER. Mr. Ledyard, were Mr. Joyce and Mr. Tierney the only persons to examine Moore & Schley's books at this time?

Mr. LEDYARD. You are in error in supposing it was Mr. Tierney. Mr. Tierney was the chief bookkeeper, I think, of Moore & Schley. The persons who examined the books were Mr. Joyce, one of the confidential men of J. P. Morgan & Co., on behalf of Mr. Morgan's firm, and a representative whose name I did not know, as I did not meet him, of the Steel Corporation, one of the experts in their comptroller's or accounting department. Those two people, Joyce and the Steel representative, were the parties who went over and examined those books with Mr. Tierney.

Mr. GARDNER. You do not remember his name? Would you know it if you heard it?

Mr. LEDYARD. I do not know; I never saw him.

Mr. GARDNER. I think Mr. Gary did not remember the name either.

Mr. LEDYARD. I only know there was one, and that they insisted on having him. I do not know who he was.

Mr. GARDNER. We have to look around to find the names of the people from whom we may get information, and we have not yet been able to get the name of that man who examined the books in behalf of the Steel Co. Somebody has suggested the name of a man. Will you recognize it if you hear it?

Mr. LEDYARD. It would not help me if I heard it, because I would not know it. The only source I can suggest to help you, Mr. Gardner, would be Mr. Joyce, who might know. Why don't you ask him?

Mr. GARDNER. Do you know whether he is here?

Mr. LEDYARD. I assume he is here; I do not know.

Mr. GARDNER. In this room?

Mr. LEDYARD. Oh, no; I have not seen him.

Mr. GARDNER. You spoke of Mr. Frick being anxious to include in this settlement the relief of two trust companies. What were those two trust companies?

Mr. LEDYARD. One was a company which had been rather informally connected with this transaction, Mr. Thorne's company, the Trust Co. of America, which had nothing to do with this Tennessee Coal situation, but was itself exposed to independent danger, and on which there was then a run. The other was a company in the same situation, the Lincoln Trust Co.

Mr. GARDNER. The Knickerbocker?

Mr. LEDYARD. No; the Knickerbocker had already failed and closed. This was the Lincoln Trust Co.

Mr. GARDNER. Do you know anything about Mr. Frick having an interview with Mr. Schley at this time?

Mr. LEDYARD. I think the only time that Mr. Schley and Mr. Frick could have been brought together in it was at Mr. Morgan's library one day—on one or both of two days. One of those was the Sunday before they went down to Washington, and the other was Tuesday, election day. I know that the night of Sunday I had asked Mr. Schley to come to the library in case any information were needed from him, and he came, but did not participate in the conferences that were going on then; and as the people were coming to meetings about the trust companies, Mr. Schley felt that his being seen there might increase the rumors of being in difficulty, and asked me to put him in some other room where he would not be seen; and then I think he went away. On election day, I think it was, he was there, however, and Mr. Frick; and I think that was the day when, as I say, after coming in and talking to Mr. Schley and Judge Gary and Mr. Frick—Judge Gary doing the most talking, and Judge Gary suggesting something about the price—that Judge Gary returned to the other room; and then Mr. Frick came back and said, "Do you really think it is necessary that this should be done?" But that I have already related.

Mr. GARDNER. The reason I ask the question is because Mr. Schley, in his evidence before the Senate committee in reply to a question, stated:

> Oh, yes; if I had had $5,000,000 or $6,000,000 in real money I would have been happy enough.

Mr. Gary having stated there was a proposition made to you to loan that $5,000,000 or $6,000,000, in reply to a question of mine, said:

I do not think I had any conversation with Mr. Schley on that subject, Mr. Gardner. I think Mr. Frick did. I think Mr. Frick personally tried to persuade Mr. Schley to accept the loan, but I do know I offered it to Mr. Ledyard, and he came back and said it would not do, it would not be sufficient. I know that distinctly.

Mr. LEDYARD. I know distinctly that Mr. Gary came to me about making the loan of $5,000,000 or $6,000,000, and that I did confer with Mr. Schley about it, and he said it would be perfectly useless; but I have no knowledge, and never did have any, of Mr. Frick talking to Mr. Schley on the subject. I think Mr. Frick really had very little to say to Mr. Schley. I do not think they were much brought together in the transaction.

I also want to say that Mr. Morgan never was—Mr. Morgan never had to do with Mr. Schley from the beginning of it, and I think he never saw him unless he may have said, "Good morning" as he passed through the room.

One other thing I want to say to make my narrative complete—I do not know that I have said it. I meant to add that Mr. Morgan stated to me on Sunday, when I was sitting with him in his library in the afternoon—he said, "Really, I do not know what will happen"—as nearly as I can reproduce what he said. He said, "I do not know what will happen; I do not know anything so serious that has threatened as this possible failure of Moore & Schley's, and no man can say, when that failure starts, what will be the result. I am very much afraid, from the way people talk, it will not go through." I said, "Are you going to urge it upon them?" He said, "No; I will not. I will submit it to them, and it is for them to decide." He was not urging it and was not insisting upon it. He said, "If they choose to do it, well and good, and if they do not, I have done what I can."

Mr. GARDNER. I take it from some answer you made to Mr. Littleton that you rather agreed with him that the beginning of this transaction was that Moore & Schley found themselves the possesssors of a large amount of free stock which had belonged previously to their customers?

Mr. LEDYARD. By "free" you mean nonsyndicate stock?

Mr. GARDNER. Yes; that they were not able to substitute that in their loans where their loans were weak, and without consulting the syndicate holders they started in to enter upon negotiations for the sale of this nonsyndicated stock. I rather judge from your answer that you thought that was probably so.

Mr. LEDYARD. That was a thing upon which I told Mr. Littleton I had no personal knowledge. I had an impression it was true in one particular case. I do not know to what extent it was generally true.

Mr. GARDNER. I raised the question because Mr. Schley in his evidence——

Mr. LEDYARD (interposing). I went on to say that it did not make much difference which way it was.

Mr. GARDNER. I understand that.

Mr. LEYARD. I looked at it simply as a brokerage house that had a lot of stock that they were carrying, and that they had to be relieved of that stock, or as much of it as they could be. They had

to be relieved of it by something that would take its place, and that the way for them, as between themselves and their customers, to arrange it in a satisfactory way was up to them.

Mr. GARDNER. Of course, it is material——

Mr. LEDYARD (interposing). I do not think the syndicate had any idea as a syndicate of getting this stock together and selling it out to the United States Steel Corporation, if that is in the question. Mr. Hanna, when he came on here, and his brother, who, I think, had some interest in the stock, both were very much disturbed by the idea that this thing which they had built up and were going to make a great company of, should have to be sold out for other people's necessities.

Mr. GARDNER. In other words, those members of the syndicate who did not find themselves in financial difficulties, did not want to sell the stock.

Mr. LEDYARD. No; and Col. Payne, who had a lot of this stock, did not want to sell it——

Mr. GARDNER. They did not want the control to go out of their hands?

Mr. LEDYARD. No, they did not; I think you are right about that.

Mr. GARDNER. On the other hand, I think that probably there were a good many of them syndicated who were involved financially. I think I get that impression from reading Mr. Schley's evidence.

Mr. LEDYARD. Mr. Schley can tell you about that, and I can not. I do not know; I would not know about that.

Mr. GARDNER. At the same time, I would like to have it appear as a part of the record in connection with what I am asking you. Mr. Schley said, before the Senate committee:

> I found, on consulting verbally with several of the holders of the stock, that the pressure was so strong that they wanted relief, and in spite of the advantages that we saw ahead individually it was the general sense that if we could we would like to sell the property without a great loss. I saw Mr. Ledyard, whom I knew was intimate with Mr. Morgan and with the steel people generally.

Mr. LEDYARD. Is this Mr. Schley's testimony?

Mr. GARDNER. This is Mr. Schley.

Mr. LEDYARD. I was not intimate with the steel people at all.

Mr. GARDNER. He said, "He had no connection with the property, and, I think, knew very little about it before that."

Mr. LEDYARD. I knew nothing about it.

Mr. GARDNER. To get this thing clear in my mind, in order to see just how much the condition of the Tennessee Coal & Iron Co. was weighing down Moore & Schley, let me state what I understand to be your evidence, and see if I am correct.

In the first place, it is not your evidence alone, but evidence of which we have a plenty, that between five and six million dollars' worth of loans were secured by 100,000 to 110,000 shares of stock——

Mr. LEDYARD (interposing). Let me stop you there, because that would make more. That amount of stock—100,000 to 110,000 shares—would make more than five or six million dollars, with the margin stated. It would be $8,000,000, probably, at least.

Mr. GARDNER. Do you mean to say they could have borrowed that much?

Mr. LEDYARD. Mr. Schley says there were 100,000 to 110,000 shares, with 30 per cent margin, as collateral.

Mr. GARDNER. No; on the contrary, he says——

Mr. LEDYARD (interposing). You read that in the beginning of my examination, I mean.

Mr. GARDNER. I can not put my finger on it now, but he said that in a number of cases they could only borrow at 50. I am very confident that is in his evidence.

Mr. LEDYARD. I do not know; it may be; I do not know how much it left.

Mr. GARDNER. At all events, we all agree that at least between $5,000,000 and $6,000,000 was the amount. In addition to that, he had borrowed on marketable securities——

Mr. LEDYARD (interposing). To an extent that I do not know.

Mr. GARDNER. But you know the extent he had borrowed from Col. Payne?

Mr. LEDYARD. Yes.

Mr. GARDNER. In addition to that, you said he had a lot of other uncurrent securities, as you supposed, outlying with bankers, which were in less degree unsatisfactory to the bankers than the Tennessee Coal & Iron Co.'s securities, but still unsatisfactory. I presume the banks wanted that collateral changed as well as other collaterals, did they, or did they not?

Mr. LEDYARD. I know of no specific instance of that, but it would be natural in such a situation.

Mr. GARDNER. That would be your supposition?

Mr. LEDYARD. It would be; and that is why Col. Payne took over these unmarketable or uncurrent securities, perfectly good as they turned out to be, to give him marketable things that could be used as collateral in their place.

Mr. GARDNER. We will suppose, and I presume Mr. Joyce will be able to tell us, that they had in their stock box $4,000,000 or $5,000,000 worth of Tennessee Coal & Iron Co.'s stock that they could not market; that they could not give to the banks in exchange for other poor securities, like American Tobacco common. Then that should be properly added to the $6,000,000?

Mr. LEDYARD. That this relieved them of?

Mr. GARDNER. Yes.

Mr. LEDYARD. That is what I say. My testimony is meant to indicate this: Let us leave out of the question the Steel bonds and call it money, money paid for the Tennessee Coal stock. That money paid them at $100 per share must have been very much more than enough to pay off $5,000,000 or $6,000,000 of loans that were on Tennessee Coal. There would be $11,000,000 to start with. If there was anything in their box, it would be $11,000,000, plus what was in their box, plus the Tennessee Coal stock that they had not been able to place, and there were two and a half millions in Col. Payne's hands then.

Mr. GARDNER. What I am trying to get at is this, that it was just as necessary to substitute those valuable bonds for the free stock in Moore & Schley's box as it was to substitute it for the collateral held against their notes, for the reason that they needed good stock in their box to substitute for their uncurrent securities.

Mr. LEDYARD. They did, and they also needed more in those times than the mere margin which their loans carried, because in those times people would not lend on ordinary margin. They were afraid

of it, and very solicitous and investigating about the character of securities, and they must have a margin of safety in their box besides for untoward events or for the panic becoming worse, and for conditions of that sort.

Mr. GARDNER. It is very obvious that in calculating the amount of the hole they were in, in consequence of the Tennessee Coal & Iron stock, we must reckon every share of free stock in their box, every share that was pledged as collateral to the bank, and every share that was outside; but where that is——

Mr. LEDYARD. And more.

Mr. GARDNER. What?

Mr. LEDYARD. You must reckon 25,000 shares, which would be two and a half million dollars of money, that were in Col. Payne's possession.

Mr. GARDNER. I say they were owed outside.

Mr. LEDYARD. No. There was in Col. Payne's possession, as collateral for some standard securities that he had given in, 15,000 shares of Tennessee Coal & Iron Co.'s stock, and Col. Payne also had 10,000 shares of Tennessee Coal & Iron Co.'s stock of his own in that syndicate. The 10,000 shares of Tennessee Coal he owned, and the 15,000 shares that he held as collateral for marketable securities he had given to them, made together 25,000 shares, for which he would receive $2,500,000 of Steel bonds—worth in money that much.

Mr. GARDNER. You do not catch what I am trying to get at.

Mr. LEDYARD. And that he turned around and added to Moore & Schley in turn. They gave him some more securities, current and stable, and he turned those over to Moore & Schley, and in exchange took some more mining stocks, and things like that.

Mr. GARDNER. I do not think you follow what I am trying to arrive at.

Mr. LEDYARD. I mean to. I admit you must consider first to acquire the amount that they had in their hands, whether it was pledged as collateral or whether it was unpledgeable and in their box of free stock.

Mr. GARDNER. I think in order to find out how much of a hole Moore & Schley were in on account of the Tennessee Coal & Iron Co.'s stock, when we have calculated the amount that they had out as collateral, the amount that they had in their box was invariably to meet their calls on them, and the amount that they had exchanged with people like Col. Payne, if there were any, then you have arrived at the amount of the hole that Moore & Schley were in. Then arises this question: Would it have been possible to buy all of their stock, which, as you say, would be absurd, because it would be a minority holding—would it have been possible under the customs of the business or under the agreement to buy that stock and leave out the other members of the syndicate like Mr. Oglebay?

Mr. LEDYARD. Never.

Mr. GARDNER. It was not possible under the agreement, was it?

Mr. LEDYARD. I can not think they would remain honorable men if they did such a thing. I think it would be a violation of business ethics to do a thing like that.

Mr. GARDNER. So that if they are to be relieved in this particular way in preference to some other way, all the syndicate stock must be taken and all the stock that Moore & Schley have that is not syndicate stock and what was existing of the United States Steel Corporation, being a minority stock, which did not come in either of these categories.

Mr. LEDYARD. No, sir; the majority would not sell out and leave the minority unprotected by other holdings in a dormant corporation. There are ethics about those things. You will find from Mr. Hanna's statement yesterday in the testimony before the committee that as soon as he heard the majority of the stock was to be sold out he at once insisted that the minority be accorded the same terms, and I think it is almost a universal canon of ethics among business people that if there are some people who hold a control and a majority interest in the stock, you can not go and buy that from them excepting in some peculiar instances without they say, "Gentlemen, I am a majority stockholder, and I owe a duty to my fellow stockholders, and you must give the minority the same opportunity to sell that you are giving to me." I think that is a quite general feeling among business men.

Mr. GARDNER. In other words, the minority stockholders regarded as a privilege to come into this trade?

Mr. LEDYARD. I should think so, and it is proved by the fact they all came in at once.

Mr. GARDNER. That may have been because they preferred a syndicate management to that of the United States Steel Co.

Mr. LEDYARD. No; it could not be that.

Mr. GARDNER. It was in the case of Mr. Oglebay?

Mr. LEDYARD. No; because here was an arrangement by which the United States Steel Co. acquired the majority shares, and the right to exchange for steel bonds was given to all the minority holders of the Tennessee Coal & Iron Co.'s stock. They all came in and took their bonds. They all did come in and sell their stock before the completion of the matter they must admit.

Mr. GARDNER. You said that when this examination took place Mr. Joyce said that no price less than 100 would meet the exigencies of the situation.

Mr. LEDYARD. No; I said that Mr. Joyce gave me such a corroboration of the facts stated by Mr. Schley of what would be produced by that price that my judgment was that nothing less than par would be sufficient.

Mr. GARDNER. For the relief of Mr. Schley?

Mr. LEDYARD. Yes.

Mr. GARDNER. Suppose they had come back and reported that nothing less than a price of 110 would relieve Mr. Schley, what would have happened then?

Mr. LEDYARD. I do not know what the Steel Co. would have done. I did not represent them, of course, and I do not know. I do not know to what extent they would have been willing to relieve the situation.

Mr. GARDNER. Suppose he would have reported 120, do you think the Steel Corporation would then have gone ahead?

Mr. LEDYARD. I have no idea. According to Judge Gary, and everything he said to me, they were bidding more than they thought

it was worth, as it was, and doing that because of the situation they wanted to relieve. How much more than it was worth they were willing to go, I do not know.

Mr. GARDNER. As I understand it, Moore & Schley were in no position to dictate prices. They refused 90, but apparently that was because 90 would not help them out of the hole.

Mr. LEDYARD. I thought Judge Gary stated that. I did not remember that.

Mr. GARDNER. Whatever it was, the price was fixed without the slightest reference to the value, or very little reference to the value, of the stock, but it was simply at such a price as would help them out. Does not that raise rather an interesting question as to the duties of the majority of the stockholders in the United States Steel Corporation?

Mr. LEDYARD. The Steel Co. had an interest, Mr. Gardner—I mean not to moralize on behalf of the Steel Co., and I have no relations with them and am not counsel for them; but if I were a director of the Steel Co. and such a thing were suggested to me, I should say, first: "Is it advantageous for us to get this property, and in the next place, we have an enormous interest in the prosperity of this country; we have an interest in the restoration of credit and the resumption of business; and to what extent are we usefully using the money of our stockholders in acquiring that which will be useful to us and paying perhaps a little larger price for it than we otherwise would, because it seems to me it will restore confidence, restore a condition of confidence under which our business can continue, and avoid a condition of panic where I do not know what our losses will be." I think that could be fairly presented as a matter of business ethics.

Mr. GARDNER. And with your ingenuity you could not think out any other way they could be relieved?

Mr. LEDYARD. I could not.

Mr. GARDNER. If, for instance, it developed the price was 150, which would be necessary to pull them out of the swamp in which they were, your opinion is Moore & Schley would have failed, because the Steel Corporation would not have given it?

Mr. LEDYARD. I think very likely. That is only speculating after the event. I can only say to you, of course, when I did go to them I did know, after conferences with Mr. Schley, what amount he thought would pull him out, and what he represented to me would be the condition of his accounts after these exchanges were made at the rate of par.

Mr. GARDNER. I was wondering and trying to imagine a man who was a stockholder in the Steel Corporation, and what he would say when he found the evidence showed their first impression was this stock was only worth 65, and they afterwards paid 100 for it, in order to help out the situation. "Why wasn't it somebody else's business to stand that expense rather than mine?" Might he not properly say that?

Mr. LEDYARD. I told Judge Gary if he waited he could probably get it at 25, but I did not think that he would be buying many things in that kind of a market.

Mr. GARDNER. I was wondering whether there was not some other way that could be done.

Mr. LEDYARD. Could you suggest any?

Mr. GARDNER. Mr. Morgan might have loaned eleven or twelve million dollars in cash——

Mr. LEDYARD (interposing). On what? What was he going to loan it on; on Mr. Schley's note? You must remember, Mr. Gardner, at that time it was not this man or that man alone, but it was everybody.

Mr. GARDNER. I do not mean Mr. Morgan loaning the money, but suppose he had loaned current securities and taken that Tennessee Coal & Iron Co.'s stock?

Mr. LEDYARD. People needed care in those days. Mr. Morgan could not take care of everybody. Everybody needed it; everybody that had money had to keep himself strong. Everybody that did not have money had to try to get strong. There was an enormous demand for money. I remember just about that time having occasion to borrow a million dollars for a client of mine, who was worth $50,000,000, if he was worth a cent. I got the money, but I only got it by going and borrowing for this client, first, a lot of New York City bonds, putting up his own securities, which were not uncurrent properties or securities, but good railroad securities, and then I borrowed the city bonds and then took them to the parties and borrowed a million dollars on them. I could not get it in any other way. It was not a normal time.

Mr. GARDNER. Suppose the Steel Corporation had loaned these bonds; the testimony has shown they had, I think, twenty-four millions of them in the treasury, and there were six millions outside. Suppose they had loaned them?

Mr. LEDYARD. It was never suggested. We did not go to the Steel Co. as an eleemosynary institution.

Mr. GARDNER. Would not that have been better than to have bought something that was not worth more than 65 and paid for it a price of 100?

Mr. LEDYARD. I do not know. It might be worth 65 or it might be worth 100. That was Judge Gary's estimate of it, and Judge Gary was expressing his own opinion.

Mr. GARDNER. I am asking these questions entirely to clear my own mind on the question.

Mr. LEDYARD. I am perfectly frank to say I have tried to be very frank with the committee about all these matters. The very first idea I had in going to these people, and that Col. Payne had in suggesting it to me, was that the Steel Corporation was a probable purchaser, and I thought that was the proper thing to do.

Mr. GARDNER. I believe that is all.

Mr. LINDABURY. Is that all of Mr. Ledyard, Mr. Chairman?

The CHAIRMAN. I believe so. I desire to state to you, Mr. Lindabury, however, that the committee is very desirous of calling anyone whom you may suggest; whom you may think has any knowledge on these matters. If there is the name of any witness whom you desire called, or the name of any person whom you think may have any knowledge or information that will be of benefit to the committee, we shall be glad to have the name suggested at once, in order that we may subpœna them.

Mr. LINDABURY. I do not think of any further witness, Mr. Chairman. If I do, I shall be glad to at once suggest the name to the committee.

The CHAIRMAN. Gentlemen, in accordance with the understanding this morning, the committee will now stand adjourned until half past 10 o'clock next Tuesday morning.

(Whereupon, at 2.30 o'clock p. m., the committee adjourned until Tuesday, August 1, 1911, at 10.30 o'clock a. m., at the aldermanic chamber, City Hall, New York City.)

No. 15

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

TUESDAY, AUGUST 1, 1911

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

THE UNITED STATES STEEL CORPORATION.

SPECIAL COMMITTEE ON THE INVESTIGATION
OF THE UNITED STATES STEEL CORPORATION,
New York, Tuesday, August 1, 1911.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

The CHAIRMAN. The committee will resume its session.

STATEMENT OF CHARLES PAGE PERIN.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Mr. Perin, what is your business?

Mr. PERIN. I have an office here as consulting engineer, particularly in connection with iron and coal properties.

The CHAIRMAN. How long have you been engaged in that business?

Mr. PERIN. Since I left college, in 1884.

The CHAIRMAN. Did you study in this country or abroad?

Mr. PERIN. I studied both here and abroad.

The CHAIRMAN. Have you ever had any practical experience in the construction or operation of blast furnaces and other plants for the manufacture of steel?

Mr. PERIN. I have held every position at a blast furnace from fireman, with a negro partner, to proprietor.

The CHAIRMAN. Have you ever constructed any blast furnaces?

Mr. PERIN. I have built one, and I have reconstructed about eight.

Mr. YOUNG. Which one?

Mr. PERIN. I built the Ashland No. 2 blast furnace. I was superintendent of the Norton furnace, the two Middlesboro furnaces, the two furnaces of the Londonderry Iron Co.—I remodeled their No. 2 furnace. I have held other positions of a subordinate capacity, as well as superintendent and general manager.

The CHAIRMAN. What experience have you had in locating and determining the character and extent of ore bodies—coal and iron—in this country or abroad?

Mr. PERIN. I have been employed more or less in that class of work for the last 10 years. I discovered—or my office did—and with my assistance, put into exploitation or operation the iron-ore deposit of the State of Mayurbhauj, in India, which resulted in the establishment of the Tata Iron & Steel Co.

Mr. YOUNG. In India?

Mr. PERIN. Yes, sir; about 150 miles from Calcutta. I have had to do with the examination of the fuel supply of the Trans-Siberian Railroad in Siberia. In this country I have had occasion to examine, I suppose, half a million acres of mineral properties belonging to different corporations for purposes of development in connection with blast furnaces or as ordinary coal or iron-ore development.

The CHAIRMAN. Where are the principal ore bodies, workable ores, located on this continent, in the United States?

Mr. LINDABURY. You use the term "workable" in the sense of available?

The CHAIRMAN. Such ores as can be worked at a profit.

Mr. LINDABURY. I believe the technical term is "apparently available."

The CHAIRMAN. I mean at a profit.

Mr. PERIN. The two great ore bodies, of course, are those in the Mesabi Range, and in the Gogebic and the Marquette and Menominee Ranges; and next in importance, in volume of tonnage, would be those in the Alabama district, directly in proximity to Birmingham.

The CHAIRMAN. The two great ore bodies are those of the Lake Superior region——

Mr. PERIN (interposing). And the Birmingham (Ala.) region.

The CHAIRMAN. Are there any other large ore bodies which are or can be worked from which pig iron can be made at a profit in competition with these two ore bodies which you have mentioned?

Mr. PERIN. Which can be marketed? I do not think so. At a higher market, and as the metallurgic art advances, the ores of the Adirondack and other regions will become important factors in the production of pig iron.

The CHAIRMAN. Have you any interest in any blast furnace?

Mr. PERIN. Yes, sir. I am interested in the Embree Iron Co., which has a furnace of 200-ton daily capacity, operating on local brown ore.

The CHAIRMAN. Can the ores of the region in which your blast furnace is located, in the case of severe competition, produce iron ore as cheaply as in the Birmingham district?

Mr. PERIN. No, sir. Our cost of production is probably $1.50 higher than in the Birmingham district.

Mr. LINDABURY. Where is that?

Mr. PERIN. In the region near Johnson City, in eastern Tennessee. The Tennessee Coal, Iron & Railroad Co. has some deposits in Green County, not very far away.

Mr. YOUNG. Brown ores?

Mr. PERIN. Yes, sir; local brown ores.

The CHAIRMAN. Were you ever called upon, in connection with any other gentlemen, to make a survey of the Birmingham district to ascertain the locations?

Mr. PERIN. I have been called upon in that capacity a number of times by different corporations. I was a member of what was known as the appraisal committee, which was appointed by the Tennessee Coal, Iron & Railroad Co., the Sloss-Sheffield Coal & Iron Co., and the Republic Iron & Steel Co. The Tennessee Coal, Iron & Railroad Co. selected as their representative Mr. T. H. Aldrich; the representatives of the Sloss-Sheffield Co. were Mr. J. W. Worthington and Mr. Walter Moore, and the representatives of the Republic Iron & Steel

Co. were Mr. Given and myself. At a later date I was the appraiser, or, rather, examined for the Birmingham Iron & Coal Co. their ore property, which they own in the same range. I have had occasion at different times to examine deposits there for other possible purchasers.

The CHAIRMAN. Did the appraisal committee make a report of their findings in the matter?

Mr. PERIN. The appraisal committee made an elaborate report, giving the tonnage of merchantable coal and the tonnage of iron ore held by each of the three large companies that employed us—the Republic Iron & Steel Co., the Tennessee Coal, Iron & Railroad Co., and the Sloss-Sheffield Co.

The CHAIRMAN. Is that the report you made? I will ask you to examine it [handing the witness report].

Mr. YOUNG. That is the same as this [indicating].

The CHAIRMAN. Yes, sir.

Mr. PERIN (after examining report). Without going into a minute examination, I would say that it was. I have my own report here and can compare them.

The CHAIRMAN. I will say that this report was furnished to me by one of the companies.

Mr. PERIN. It is probably substantially the same report. It has the same form, and the figures, as near as I can compare them, are the same.

The CHAIRMAN. Have you the original report?

Mr. PERIN. I have a carbon copy of the original report that we made.

The CHAIRMAN. Please examine it and see if it is the same.

Mr. PERIN. I will turn to the coal, which shows that the Tennessee Coal, Iron & Railroad Co. has 1,623,639,500 tons, which are the identical figures. These figures are apparently the same.

The CHAIRMAN. Will you file this report with the stenographer as a part of your statement?

Mr. PERIN. I would like the privilege of checking it again.

The CHAIRMAN. Have you a synopsis of your report?

Mr. PERIN. I have not the synopsis with me here. I have an index giving the locations, but this is as much of a boiled-down statement as you can have and make it clear.

The CHAIRMAN. This is a synopsis of the report [indicating]?

Mr. PERIN. Yes, sir.

The CHAIRMAN. Then, please file the synopsis with the stenographer.

Mr. PERIN. Yes, sir.

The CHAIRMAN. How long were these gentlemen engaged in making this report?

Mr. PERIN. It is now seven years ago. We were more or less intermittent on it. I should think about six months. I remember that we had one three months' session. I should say, approximately six months from the time we began. The total area examined was something over 500,000 acres.

The CHAIRMAN. Please just tell the committee how accurate this report is, to what extent it is an estimate, and how you determined the tonnage of these ore deposits and coal deposits, whether by drilling or otherwise, whether you had any mines in operation, what

facilities you had, and to what extent this report is an accurate statement of the existing ore bodies?

Mr. PERIN. I can only refer to the map here and say that there were in operation——

The CHAIRMAN (interposing). Excuse me right there one minute. I want you to take that map up in detail, but what I want to know now is whether you drilled, or whether you had mines in operation so you could know what it was, or whether you made an estimate of the general conditions?

Mr. PERIN. We had access to the records of every one of the corporations, all their drillings, the boring records, their mine maps, and their records of tonnage. For instance, take the Pratt vein, it varies in thickness from three to four feet; we knew the tonnage that had come out of that mine, and we were able to calculate from the coal production the tonnage yield per acre of that particular seam in which they were working. We took the total workable area owned by these people and estimated from that. For instance, if you had 10,000 acres of the Pratt seam, and had only worked 2,000 acres, and had taken out of that an average of 4,000 tons per acre, in the remaining 8,000 acres, we would estimate the remaining coal on that basis. We did that not only with the coal in the different seams, but also with the iron ore, making due allowance in the iron ore for the changes which took place at depth.

The CHAIRMAN. Were any number of mines at that time in active operation?

Mr. PERIN. A large number. The production of the Birmingham district at that time was approximately 10,000,000 tons of coal. I may be wrong about that, but that is my recollection at the moment, possibly 13,000,000 tons; 12,900,000 tons at that time. The output of ore I have forgotten, but there were a large number of mines, both coal and iron ore, from which accurate determinations could be made of the yield per acre. We examined the mines, went down to the working faces, took measurements, and averaged the measurements, and calculations were made as conservatively as possible, and where acreage was doubtful it was thrown out, and if it was not positively known to be mineral bearing it was dismissed from the calculation.

The CHAIRMAN. Did you include in this report ores of such a low character that they would not be available for a great number of years, or that were too thin to be worked, or did you not include those ores on account of their physical condition?

Mr. PERIN. The committee laid down in its report the analysis of the ores that we considered merchantable, and what not merchantable, and we dismissed the seams of coal too thin, and the seams of iron ore that showed too small a percentage of ore to be merchantable at the present time. We took the present state of the art as a basis of our calculation with some variation for improvements which would bring lower-grade material into the market.

I might quote from this report which I have here:

A very large tonnage of low-grade ore below the fourth class of the classification adopted—

Here is the fourth class, carrying 32 per cent of iron, 18 per cent and over of silica, and about 15 per cent of lime.

A very large tonnage of low-grade ore below the fourth class of the classification adopted exists upon the properties of all three companies, but such low grade is, in the present state of the art of iron melting, regarded by the committee as unmerchantable and has not been considered. Had the tonnage of this ore been returned, the percentage of each company's ownership would not have been materially changed.

That is, each one had about the same percentage of what we considered to be unmerchantable ore.

The CHAIRMAN. Now, I will ask you to explain to the committee the location of the various holdings of those companies in that region as indicated on the map, with the map as a guide, explaining to us in your own way the character of that formation and the causes producing it.

Mr. LINDABURY. Would you mind having him tell us something about the map, as to who made it, and so forth?

The CHAIRMAN. I will be very glad to have him do that.

Mr. PERIN. This map came from the office of the Tennessee Coal, Iron & Railroad Co., about the year 1874. It was made by the chief engineer of that company, whose name I have forgotten for the moment.

Mr. YOUNG. Did you mean 1874?

Mr. PERIN. 1904; seven years ago. Mr. Bacon was then the chairman of the board. The color scheme on here is—the pink all through here [indicating on map] is the Tennessee Iron, Coal & Railroad Co.; the brown [indicating on map] is the Sloss-Sheffield Co.; the dark blue is the Republic Iron & Steel Co; the green is the Tutweiler Co., now known as the Birmingham Coal & Iron Co.; and the yellow [indicating on map] is known as the Woodward Iron Co.

Mr. LINDABURY. Please tell us the scale of the map?

Mr. PERIN. Each large square is 6 square miles. Each one of the small sections is a quarter section, a quarter of 640 acres. This is all between range 19 east and range 1 east of the meridian in township 22 north to township 12.

Mr. DANFORTH. There seems to be two shades of pink, is it all intended to be one?

Mr. PERIN. It is all intended to be one. It has faded. The darker shade has not faded out. All the pink is intended to be one shade. Generally speaking, this district is one of the simplest in point of geology of any iron field, all this side of the railroad [indicating on map] to the eastward is ore bearing——

Mr. YOUNG. Just a moment, the stenographer does not understand that.

Mr. PERIN. I will talk more definitely. The general direction of the railroad going through this Jones Valley, as it used to be called, the part in which Birmingham is, is northeast to southwest. All practically to the eastward of the railroad is ore-bearing material, to the westward is entirely carboniferous. The Birmingham district has that unique distinction in the proximity of the three materials which are necessary for the manufacture of iron. The ore on this side [indicating on map], the limestone in between the two [indicating on map], and the coal on this side [indicating on map]. All this country to the north and west [indicating on map] are the productive coal measures known as the Warrior coal field. On this

side [indicating on map] is the Clinton horizon of the silurian measures——

Mr. YOUNG (interposing). You mean to the east?

Mr. PERIN. Yes; the Clinton horizon. In that particular district next to Birmingham; the Clinton iron-ore veins thicken and give you this large body of iron ore, carrying a heavier tonnage than in any portion of its existence from Clinton, N. Y., to Alabama. The Clinton iron ore varies in thickness from 2 feet in New York State to its maximum 26 to 28 feet in the Birmingham district.

The CHAIRMAN. Please to state to the committee, Mr. Perin, approximately, under the report here, the acreage of these various companies in tonnage and use such memorandum as you have for that purpose?

Mr. PERIN. I will give the tonnage of iron ore first.

The CHAIRMAN. Yes, sir.

Mr. PERIN. And the acreage also.

The CHAIRMAN. You need not give that information for any company except the Tennessee Coal & Iron Co. as we are not interested in the others.

Mr. YOUNG. It might save a little time.

Mr. PERIN. Take first the Republic Iron & Steel Co., the deposits of red ore, of the Clinton horizon are shown here in blue [indicating on map] on that side of the range.

Mr. DANFORTH. The east side?

Mr. PERIN. Yes, sir; the Birmingham Red Ore Mountain. The east side [indicating on map] is the ore-bearing range.

Mr. DANFORTH. How many railroads have you there?

Mr. PERIN. The main line of the Alabama Southern comes in there, also the Southern, L. & N., and Seaboard Railways.

The CHAIRMAN. Please state the direction of the road.

Mr. PERIN. Northeast to southwest, and the Louisville & Nashville and the Southern. Every railroad that reaches Birmingham has to come into this valley.

Mr. YOUNG. Go through the mountain?

Mr. PERIN. They come through at different places. The Seaboard Air Line comes into this district through the same valley that some of the other lines use—the A., B. & A. crosses south of Birmingham and comes into this valley [indicating on map]. I have forgotten the other lines. They are principally all owned by the Southern and Louisville & Nashville, and the other lines use their terminals.

The Republic Iron & Steel Co., shown in blue, paying no attention to the parts north and west of Birmingham, were calculated at the time to have 39,041,800 tons of iron ore, of which 8,000,000 was fourth class, 12,000,000 third class, and 100,000 tons of second class. I think 8,000,000 tons is first-class hard ore. The total amount of acreage which they have is approximately 2,200 acres.

Mr. LINDABURY. You are speaking of which company?

Mr. PERIN. Of the Republic Iron & Steel Co. Approximately, at that time we regarded as mineral bearing only 1,400 acres of this total acreage. We considered this area as being productive. Then, in addition to this land on Red Ore Mountain, they had down here——

Mr. DANFORTH (interposing). Where is that?

Mr. PERIN. South and west of Birmingham is the region of the brown ore [indicating on map]. They had brown ore in Tuscaloosa

and Bibb Counties, estimated at 10,000,000 tons of first-class ore running from 45 to 55 per cent, as against the average for the other ores of about 36 per cent. Taking the Republic's coal field——

Mr. YOUNG (interposing). You mean the Republic Iron & Steel Co.?

Mr. PERIN. Yes, sir; it is estimated to have 173,542,000 tons of merchantable coal, with a total acreage of 16,000 acres. I am giving the acreage in rough footings. These dark-blue spots [indicating on map] on the north and south side of Birmingham show the holdings of the Republic Iron & Steel Co. on the north edge of the field, and they have here [indicating on map] and there [indicating on map] a little area. They have scattered holdings here [indicating on map], the large body of pink being the holdings of the Tennessee Coal, Iron & Railroad Co.

The Sloss-Sheffield Iron & Steel Co. were estimated to have 581,946,700 tons of merchantable coal. You understand we divided their coal into first and second class steam coal, first and second class domestic, and first and second class coking coal. They have a great variety of the different seams, so we gave to each one its particular quantity, so that in the final consolidation the value of the coking coals might be given due consideration. The Sloss color is a light brown, and you can see where they are located on the outer edge of the field [indicating on map].

The CHAIRMAN. Please explain the course of the mountain, giving the anticline and syncline of the slope.

Mr. PERIN. Right down this valley here [indicating] is a fault line.

Mr. YOUNG. A fault line?

Mr. PERIN. Yes, sir; a break in the geological measures.

Mr. DANFORTH. Where the railroads are in the valley?

Mr. PERIN. Just directly following the mountains, the eroded valley being probably due to the existence of this fault. On the east side, in the Red Ore Mountain [indicating], there are measures of Silurian, and they in their proper geological position belong 3,000 feet below the coal measures. In the wrinkling of the earth's surface these Silurian measures are thrown up like that [indicating] and stand at an angle of from 12 to 30 degrees.

Mr. YOUNG. From the horizontal, you mean?

Mr. PERIN. Yes, sir. On this side [indicating on map] there is a tilting up of the coal measures.

Mr. DANFORTH. On the west side?

Mr. PERIN. Yes, sir.

The CHAIRMAN. The ore and the coal lie approximately like the roof of a house, one on one side and one on the other?

Mr. PERIN. Exactly; except that there is not the same degree of elevation of the coal measures as the silurian measures. These latter measures belong far below the coal, and that has made a greater elevation there [indicating]. They have been forced up the eastern edge of the coal field.

The CHAIRMAN. There is a greater depth to the ore than to the coal?

Mr. PERIN. Yes, sir; much greater. The coal measures are much flatter than the ore measures. You will find, however, places in the Tennessee Coal & Iron Co.'s mines where the coal will go along level and drop down 20 feet or more through faulting.

The CHAIRMAN. That is owing to the strata?

Mr. PERIN. Yes, sir. The acreage of the Tennessee Coal & Iron Co. extends to the outer edge of the field and here [indicating on map] to the southern edge of the field. A part is in Tuscaloosa County south and west of Birmingham.

Mr. DANFORTH. That is the coal or iron?

Mr. PERIN. The coal of the Tennessee Co. The difference is very marked and easy to determine when anybody understands just exactly the nature of the country. The Sloss red ore holdings in Red Ore Mountain foot up to 2,690 acres, and were estimated to contain 51,395,500 tons of ore. There are their holdings [indicating on map]. You will observe they have this little here [indicating on map], and this ore here [indicating on map]. That is their entire Clinton iron ore holdings. Their other ore holdings are down here in Tuscaloosa County.

The brown ore properties of the Sloss Co. are not shown on this map. They are in northern Alabama, near Russellville.

The CHAIRMAN. The brown ore?

Mr. PERIN. Yes, sir; except one brown ore deposit which they have due north of Birmingham, range 14 east, township 15 south. Their brown ore properties were estimated to contain 26,575,000 tons. The brown ores of the Sloss Co. do not belong to the Birmingham district. They are out of it from a competitive point of view. They are up on the Tennessee River in the northern part of the State, and do not form a part of the Birmingham competition, except that they manufacture pig iron and ship to the same markets.

Now, to come to the Tennessee Coal, Iron & Railroad Co., they own on the Red Mountain, in townships 18 and 19 south, ranges 3 and 4 west, about 15,000 acres.

Mr. LINDABURY. Is that coal or iron?

Mr. PERIN. Iron. They have a total of ore-bearing measures bearing red ore of 16,900 acres.

Mr. YOUNG. Altogether?

Mr. PERIN. Yes, sir; practically consecutive.

The CHAIRMAN. Now, how do their ore holdings compare in richness of content and in value from their proximity to the coal, and the like, with the Sloss-Sheffield holdings, for instance, and the other holdings which you have mentioned?

Mr. PERIN. They have no advantage over the Sloss-Sheffield in proximity. I refer now to the red ore. They have none over the Republic Iron & Steel Co., nor the Woodward Iron Co., nor the Birmingham Iron Co., as to position; they have an advantage as to quantity and total tonnage of first-class ore.

Mr. YOUNG. Have they any advantage as to quality?

Mr. PERIN. I should say that they have a higher percentage of thick, first-class ore than any of the other companies.

Mr. YOUNG. Thickness would have nothing to do with quality?

Mr. PERIN. Thickness has to do only with the cost of production.

Mr. YOUNG. What I am getting at is the actual quality of the ore.

Mr. PERIN. They probably have a higher percentage of first-class ore than any of the other companies. They have brown ore deposits south and west of Birmingham, as well as north of Birmingham, and they have some up near here [indicating on map] in which they have a part interest with the Sloss Co., a half interest, and they have

brown ore deposits at Emerson, in Georgia, not shown on this map, and brown ore deposits in Tuscaloosa and Bibb Counties, townships 20 and 21 south, ranges 5 and 6 west. The total tonnage allowed for the brown ore was 10,177,000 tons. Comparing their tonnage of red ore with the other companies the proportion is 402,000,000—I leave off the 100,000—for the Tennessee Coal, Iron & Railroad Co., 39,000,000 for the Republic Co., and 51,000,000 for the Sloss-Sheffield Co.

Mr. YOUNG. Did you make any examination of the Woodward Co.?

Mr. PERIN. No, sir; except by elimination. We came up to it on each side, and we knew the thickness of the ore on each side. I have not any calculation at present, but it could be determined very easily.

Mr. YOUNG. It is a fine body of ore?

Mr. PERIN. Excellent.

The CHAIRMAN. Can you give us in round numbers how many tons of iron ore, brown and red, and how many tons of coal were owned or leased by the Tennessee Coal & Iron Co. at the time it was absorbed by the United States Steel Corporation?

Mr. PERIN. I can only give you the tonnage which we determined in 1904. They naturally would have exhausted up to 1907, three years later, probably 3,000,000 tons of the coal, which would be a small amount in relation to their total.

The CHAIRMAN. At the time of your making this report?

Mr. PERIN. At the time of this report we gave to the Tennessee Coal, Iron & Railroad Co. a total ore reserve of 412,798,500 tons of ore of all classes.

The CHAIRMAN. What company?

Mr. PERIN. The Tennessee Coal, Iron & Railroad Co.

The CHAIRMAN. How many tons?

Mr. PERIN. 412,798,500 tons of iron ore.

The CHAIRMAN. Was it red ore?

Mr. PERIN. All kinds; the brown ore only amounted to 10,000,000, a small proportion of their total. Of coal we gave to the Tennessee Coal, Iron & Railroad Co. 1,623,639,500 tons of all kinds, including their leaseholds and fee holdings. They had about 2,000,000 tons under lease. Their holdings are shown in pink here [indicating on map] north and west of the railroad.

The CHAIRMAN. What were the total holdings of the Tennessee Coal & Iron Co. in lease and fee?

Mr. PERIN. 412,000,000 tons, roughly.

The CHAIRMAN. I have seen a statement in Moody's Manual that their holdings were 720,000,000?

Mr. PERIN. I am not familiar, nor do I know what they now hold.

Mr. LINDABURY. I am a little confused about the map. Does that show both the coal and iron holdings?

Mr. PERIN. Yes, sir.

Mr. LINDABURY. Are they colored the same?

Mr. PERIN. Yes, sir.

Mr. LINDABURY. Are they distinguished in any way?

Mr. PERIN. Only by their position. The township and range will tell you whether that is the iron ore or coal region.

The CHAIRMAN. What is the total tonnage of iron ore estimated at now?

Mr. PERIN. I can not tell you off-hand. I have no accurate knowledge from which to speak beyond my experience with this appraisal committee.

The CHAIRMAN. What percentage of the iron ore in that region is now held by these great companies you have mentioned, including the Woodward Co.? I mean to distinguish between the available ores that are on the market for sale to whomsoever wishes to buy, and the ores held for the purposes of great manufacturing concerns and not for sale to anybody?

Mr. PERIN. In any calculation you should include the Birmingham Coal & Iron Co.'s property, and you should include the only merchant mine down there, the Birmingham Ore Co. That is the only independent ore company to-day in the district. Estimating the tonnage of the Woodward Co. and of the Birmingham Coal & Iron Co. and the Birmingham Iron Ore Co., I would say that the Tennessee Coal, Iron & Railroad Co. possesses about 70 per cent of Red Ore Mountain.

The CHAIRMAN. That is, of the ore-bearing district?

Mr. PERIN. The range which is tributary to the fuel at the present time, the area of low-assembling cost.

The CHAIRMAN. If the Tennessee Coal & Iron Co. has 70 per cent of the entire region, what per cent of the region is now marketable and can be purchased by any man who goes down there and opens a blast furnace and buys his own coal on the ground?

Mr. PERRIN. I suppose, outside of the Birmingham Iron Ore Co., there is no merchantable ore for sale in the Birmingham district.

The CHAIRMAN. How much have they at their disposal?

Mr. PERIN. I have no accurate knowledge.

The CHAIRMAN. What per cent?

Mr. PERIN. Very small; possibly 2½ per cent to 5 per cent.

The CHAIRMAN. Of the whole region?

Mr. PERIN. Yes, sir.

The CHAIRMAN. Now, you speak of the facility with which the raw material can be assembled. I will ask you to explain to the committee what raw materials are necessary to put into a blast furnace in order to get your pig iron, and in what quantities and in what proportion it is necessary to put them into this furnace in order to procure the necessary results, how many tons of coal you must put into the furnace in order to get a ton of pig iron.

Mr. PERIN. The object of the blast furnace is to reduce the oxides to the metallic state and to get rid of the earthy materials which are contained in this ore. In order to get rid of the earthy materials it is necessary to liquefy it, to bring the temperature up to a point which will melt them, so that you can separate them. In order to do this, solid fuel is used in the form of coke. The average coke of the Birmingham district has 10 per cent of ash, and the ash contains silica and alumina and a small percentage of iron, and it also contains sulphur, which you have to be careful of. Now, in order to make these earthy materials flow you have to add the limestone in order to make a fusible slag which will flow readily from the blast furnace and separate from the iron. The varying percentage of silica determines somewhat the character of the pig iron that is made,

and the percentage of limestone, whether the slag is basic or acid, determines its affinity for sulphur.

In order to make pig iron you must have, then, your iron ore, your limestone, varying in percentage according to the earthy material in the ore and the ash of the fuel. If you have a very high ash fuel you require more limestone to flux it. The average normal consumption in northern blast furnaces, where the ore is 50 per cent, 2 tons of ore are required to make 1 ton of pig, and about 1¼ tons of coke; and, varying with impurity of the 50 per cent ore, it might take a half to three-fourths of a ton of limestone in a blast furnace with a 50 per cent normal ore and normal fuel. In the Birmingham district the ores do not contain 50 per cent; therefore, more than 2 tons are required. The increase in the quantity of ore required reduces the daily tonnage of the furnace and requires a larger percentage of limestone and a greater quantity of fuel per ton of pig made.

The CHAIRMAN. What I want to get at is the number of tons of raw material which you must put into the furnace to get one ton of pig iron in that region?

Mr. PERIN. There have been considerable improvements in the practice of the Birmingham district. When I was actively engaged there the average consumption would have been 1¾ tons of coke, 2½ tons of iron ore, and from one-fourth to three-fourths ton of limestone—about 5 tons.

The CHAIRMAN. Five tons of raw material must be assembled before you get a ton of pig iron made?

Mr. PERIN. Yes, sir.

The CHAIRMAN. Just please state to the committee in what proximity those materials lie that have to be assembled and how far they are from the blast furnace at this point?

Mr. PERIN. On the south side, directly east of Bessemer, are the deposits of the Woodward Co. Just north of Bessemer is the region known as Woodward, where the blast furnaces are situated. Northwest of Bessemer are the coal deposits of the Woodward Iron Co. The coal is brought to the point of the plant; the ore rolls down hill from this point [indicating on map] to the plant at the center of their deposits.

The CHAIRMAN. Take the iron ore and the coal. How far do they have to haul their iron ore, their coal, and their coke to fill the blast furnace?

Mr. PERIN. I speak from memory. I think their average coal haul would be about 5 miles, and that their iron-ore haul will not exceed 8 miles. The best way to state the conditions is this: There is a rule in the Birmingham district that the rate of freight upon iron ore within 25 miles is 12½ cents, and so you have 3 tons of iron ore, 37½ cents, and for the fuel on the basis of 1½ or 1¾ tons and 12½ cents per ton. For anything within 25 miles, the normal rate is 12½ cents; so there is really no distinctive advantage, except that the Woodward Co. owns its own railroad.

The CHAIRMAN. I am giving that as an illustration of the proximity of these deposits. Will you proceed and show the distance of the ore from the blast furnaces at that point?

Mr. PERIN. There are in the city of Birmingham proper two stacks owned by the Sloss Co.

The CHAIRMAN. You did not complete your answer as to the Woodward Co. I want to know the number of miles they haul their limestone, coke, and iron.

Mr. PERIN. I think the coke is hauled somewhere between 3 and 4 miles and the limestone an average distance of 2½ miles.

The CHAIRMAN. So, as a rule, it is the same haul and the same freight within that radius of 25 miles.

Mr. PERIN. Yes.

The CHAIRMAN. Does that spring from the fact that in the whole region they find within that radius those three essentials in the making of pig iron?

Mr. PERIN. Practically so, and so as not to give any one corporation any particular advantage over the other. The rates were established so as to equalize competition in the district.

The CHAIRMAN. Now, you have spoken of your experience in locating ore regions in this country and in India. Is there any place on the habitable globe known to the iron industry where that physical condition exists or anything approximating it?

Mr. PERIN. The only possible parallel condition, where the juxtaposition of the raw material is such as exists in the Birmingham district, is in Middlesboro, England. There the iron ores are of a lower grade, and they bring their fuel a distance varying from 10 to 25 miles. That is almost a parallel with the conditions that obtain in Birmingham, but there are no such large single deposits as exist in the Birmingham district.

The CHAIRMAN. Are any of these ores self-fluxing ores?

Mr. PERIN. Most of the ores of the second and third class are self-fluxing.

The CHAIRMAN. What do you mean by self-fluxing ores?

Mr. PERIN. In my previous dissertion on iron smelting, I referred to this sandy material, this siliceous material, which is known as an acid, and which has to have added to it a base. These ores carry a base in the shape of limestone which will take care of the acid material which the ores carry with it. In other words, when you mine a ton of iron ore you also mine enough limestone to take care of the earthy material contained in the iron.

The CHAIRMAN. And where they are found mixed together by nature, you mine both at the same time; and if they are not mixed together by nature, you must mine them at separate times?

Mr. PERIN. Yes.

The CHAIRMAN. Now, for example, say you have the highest grade Bessemer ore—60 per cent iron—how much limestone do you put with that—25 per cent approximately?

Mr. PERIN. Assuming the same type of fuel is used——

The CHAIRMAN (interposing). Yes; I mean taking the same character of fuel.

Mr. PERIN. Suppose we take standard Connellsville coke in each case, you use approximately a quarter of a ton of limestone.

The CHAIRMAN. Using the same smelting material, the same coke, in 2,000 pounds of material, you would have 1,500 pounds of ore and 500 pounds of limestone?

Mr. PERIN. Approximately.

The CHAIRMAN. And 60 per cent of 1,500 pounds of ore would give you 900 pounds of metallic content; and in this region, if you had a

self-fluxing ore, you would have 2,000 pounds of iron and limestone mixed together?

Mr. PERIN. Yes.

The CHAIRMAN. And the percentage of that ore is what?

Mr. PERIN. It varies from 37 to 45.

The CHAIRMAN. Forty per cent would be an average. You would have then 800 pounds of iron content in that mass, would you not?

Mr. PERIN. Yes.

The CHAIRMAN. So that the relative value, as to getting iron out of the same number of pounds of material, between the Bessemer 60 per cent iron and the self-fluxing Birmingham ore—40 per cent iron—would be as 8 to 9; would it not?

Mr. PERIN. Approximately; yes.

The CHAIRMAN. What effect has that condition, that high-grade self-fluxing ore in that proximity to the coal and the limestone, had in the cost of producing a ton of pig iron as compared with other furnaces located elsewhere, as, for instance, at Pittsburg or in the Lackawanna region?

Mr. PERIN. It gives them a very great advantage in the cost of production.

The CHAIRMAN. What is the difference per ton?

Mr. PERIN. You mean in the Birmingham district as compared with the Pittsburg district, for example?

The CHAIRMAN. Yes.

Mr. PERIN. Based on to-day's selling prices, which I presume would be a fair approximation of their cost price, there is nearly $4 difference in the cost of production between the two districts. Pittsburg is able to produce at a very low figure, by reason of its large plants, and large production and excellent equipment.

The CHAIRMAN. I hold in my hand the report made by Mr. William B. Phillips, of Birmingham, Ala., made some years ago. Are you acquainted with Mr. Phillips?

Mr. PERIN. Yes, sir.

The CHAIRMAN. Is he a thorough and practical metallurgical engineer, and does he understand the iron and steel industry in the South?

Mr. PERIN. He was a graduate, I think, of the University of Freiburg, in Germany. He was the chief chemist of the Tennessee Coal, Iron & Railroad Co. in their earliest days, and did a great deal toward improving their blast-furnace practice. He is a student and thoroughly competent to discuss the subject of Birmingham costs, and probably at the time he made that report had more information on the subject than anybody else.

The CHAIRMAN. Did he ever work for the Tennessee Coal & Iron Co.?

Mr. PERIN. Yes, sir; he was their chemist, I think, for a number of years.

The CHAIRMAN. What other company did he work for?

Mr. PERIN. I do not recall, but I know he was in charge of the geological survey of the department of minerals in Texas for a number of years. He was technical editor for a paper in Pittsburg. I know very little of his history beyond the fact that he was a distinguished pupil of the great metallurgical school at Freiburg. At the

time he was a student there he was a very hard worker, and is considered a very competent metallurgist.

The CHAIRMAN. I wish to show you extracts from this report prepared for the Geological Survey by Mr. Phillips showing the cost of manufacture of pig iron in 1894, 1895, and 1896. This report shows the average cost to manufacture pig iron per ton, as follows: $6.457 for the year 1894, $6.65 for 1895, and $6.464 for the year 1896. Is it a fact that this is the lowest cost of production that pig iron could be manufactured for in the known world?

Mr. PERIN. I do not think there is anybody to-day who could come within $3 of that cost.

The CHAIRMAN. Now, have the improvements which have been made in blast-furnace production in the last 10 years materially changed the cost of production? I mean by that, has the efficiency of machinery compensated for any additional cost per day for the services of the men who attend the machines, taking the number of men employed around a blast furnace 10 years ago as compared with the present time?

Mr. PERIN. Yes; the development of the blast furnaces has been marked. Take a furnace to-day which will make 400 tons, filled by 3 or 4 men on a shift, formerly, at the time that report was written, it would have taken 25 or 30 men on a shift to have kept that furnace full.

The CHAIRMAN. Now 3 or 4 men do the same work on a larger furnace that 20 men did on a smaller furnace 10 years ago?

Mr. PERIN. Yes.

The CHAIRMAN. What is the difference in the capacity of these furnaces as compared with the furnaces of 10 years ago?

Mr. PERIN. Furnaces to-day are from 200 to 400 per cent greater in output than the furnaces of 10 years ago.

The CHAIRMAN. Do you mean to say that 4 or 5 men can now operate a furnace of 400 per cent greater capacity than 20 men operated 10 years ago?

Mr. PERIN. Yes. I refer to the filling of the furnace, handling the raw material into the furnace.

The CHAIRMAN. Now, referring to the acreage of this property, what would you say as to the value of the 400,000,000 tons of iron ore, the billion and a quarter tons of coal, and the several hundred thousand or several million tons of limestone, as compared with the same number of tons of similar materials anywhere else in the world?

Mr. PERIN. Well, that is a very difficult question to answer.

Mr. YOUNG. I would suggest, Mr. Chairman, that the witness has already stated there is not any such condition anywhere else.

The CHAIRMAN. But there might be different conditions and yet the property be more valuable. What I want to get at is the value of these deposits as compared with the value of a similar number of tons located as they are anywhere else in the world. Approximately, is it a more or less valuable deposit than the same amount of material separated, for instance, as the coal and ores are around Pittsburg?

Mr. PERIN. I should consider this as one of the greatest properties I know of anywhere in the world, take it by and large; that is, considering the proximity of the iron ores to the coal. But it is a prop-

erty which requires great capital to develop, a high type of technical skill to get the best results from it, and the country immediately in the neighborhood has got to develop in order to create a local market so as to give the great advantage to this district which it would naturally have were there a market near at hand, because if you have to add $3 or $4 a ton on every ton that goes out, you take away the distinct advantages which this district has.

Mr. DANFORTH. You are now talking about this Alabama district?

Mr. PERIN. Yes; as applied particularly to the Tennessee Coal & Iron Co.

The CHAIRMAN. I will file here an extract from the report of Mr. Phillips, pages 191 and 192.

The following average costs of manufacture of pig iron in 1904–1906:

	1894	1895	1896		1894	1895	1896
Ore	1.86	1.754	1.716	Current expenses	0.181	0.200	0.200
Limestone	.16	.240	.128	General expenses	.077	.070	.093
Coke	2.78	2.840	2.735	Relining	.170	.183	.200
				Taxes	.026	.025	.080
Total for materials	4.800	4.834	4.579	Insurance	.003	.005	.006
				Bad debts	.037	.033	.030
Materials	4.800	4.834	4.575				
Labor	.835	.998	.966		6.457	6.650	6.464
Supplies	.338	.302	.314				

The lowest cost during 1904 was $5.71, the highest was $7.81, and the average selling price of No. 2 foundry iron was $7.20.

The lowest cost during 1895 was $5.84, the highest $7.02, and the average selling price of No. 2 foundry iron was $7.15.

The lowest cost during 1896 was $5.74, the highest $6.84, and the average selling price of No. 2 foundry iron was $7.22.

The CHAIRMAN. Fifteen or 20 years ago, was it the custom of iron manufacturers to own vast areas of raw material, or were their ores bought in the open market?

Mr. PERIN. In the Pittsburg district it was the custom to buy in the open market. In the South the tendency has always been to buy the land in fee and develop your own mine, because the market was so narrow and merchant operations were very few.

The CHAIRMAN. Now, when that policy was changed—I believe Mr. Oliver was the first man who acquired large holdings in the North—what effect had the taking in of, say, 75 or 80 per cent of those ore holdings up there, according to Mr. Knox Smith's report, by large companies—what effect did that have upon the price of ore?

Mr. PERIN. Well, the immediate effect would naturally be to enhance the price of the ore in the hands of the independent people.

The CHAIRMAN. I have here a report on the iron ores of Lake Superior prepared by Crowell & Murray. Do you know whether this is an authority or not?

Mr. PERIN. Yes; Mr. Crowell and Mr. Murray are employed by the large iron companies to make disputed analyses, when there is any question of the content of a cargo shipment or a sale of 40,000 or 50,000 tons. Sometimes the furnace analyzes it as 51.2 and another man may give it as 50.5, and the determining analyses are made

by these gentlemen. They are chemists and engineers of distinction, and this book prepared by them and recently published is considered one of the most authentic documents on the subject of the location, geology, character, and general statistics in regard to Lake Superior ores.

The CHAIRMAN. I will ask you to file as a part of your statement touching the value of ore, page 42, of this report. You have examined this page, I believe, giving the prices of ore from 1855?

Mr. PERIN. Yes.

(The table referred to is in the words and figures following, to wit:)

Prices of iron ore at lower Lake ports for each range since opening.

Years.	Marquette.		Menominee.	
	Bessemer.	Non-Bessemer.	Bessemer.	Non-Bessemer.
1855	$10.00	$10.00		
1856	8.00	8.00		
1857	8.00	8.00		
1858	6.50	6.50		
1859	6.00	6.00		
1860	5.25	5.50		
1861	5.25	5.00		
1862	5.25	5.37		
1863	7.50	7.50		
1864	8.50	8.50		
1865	7.50	7.50		
1866	9.50	$9.50–14.00		
1867	10.50	8.00–11.50		
1868	8.25	8.25		
1869	8.25	9.50		
1870	8.50	8.50– 9.50		
1871	8.00	8.00		
1872	9.00	7.50		
1873	12.00	9.00		
1874	9.00	7.00		
1875	7.00	5.50		
1876	6.75	4.50		
1877	6.50	4.25		
1878	6.50	4.25		
1879	6.25	4.75		
1880	9.25	8.00		
1881	9.00	7.00		
1882	9.00	6.25		
1883	6.25	5.00	$6.00	$4.75
1884	5.76	4.50	5.25	4.50
1885	5.50	4.25	4.75	4.00
1886	5.50	4.75	5.25	4.50
1887	7.25	5.25	6.00	5.00
1888	5.50	4.75	4.75	4.00
1889	5.50	4.50	4.50	4.50
1890	6.75	5.75	5.50	5.25
1891	6.00	4.75	4.50	4.25
1892	5.50	4.85	4.50	3.65
1893	4.25	3.00–3.50	3.85	3.20
1894	2.75	2.15	2.75	2.50
1895	$2.75–3.50	2.15–2.30	2.90	2.25
1896	4.00	2.45–2.85	4.00	2.70
1897	2.65	2.00–2.60	2.60	2.15
1898	3.10–3.35	2.35–2.45	2.75	1.85
1899	3.21–3.50	2.50	3.00	2.15
1900	5.93–6.48	5.00	5.50	4.25
1901	4.66–4.92	3.65–3.85	4.25	3.00
1902	4.65–5.00	3.80–4.00	4.25	3.25
1903	4.85–5.15	4.00–4.25	4.50	3.60
1904	3.60–3.85	3.10–3.35	3.25	2.75
1905	3.75	3.20	3.75	3.20
1906	4.25	3.70	4.25	3.70
1907	5.00	4.20	5.00	4.20
1908	4.50	3.70	5.00	4.20
1909	4.50	3.70	4.50	3.70
1910	5.00	4.20	5.00	4.20

Prices of iron ore at lower Lake ports for each range since opening—Continued.

Years.	Vermilion.		Mesabi.	
	Bessemer.	Non-Bessemer.	Bessemer.	Non-Bessemer.
1884	$4.75	$4.50	.....	.....
1885	5.00	4.00	.....	.....
1886	5.75	4.50	.....	.....
1887	6.75	5.00	.....	.....
1888	5.75	4.00	.....	.....
1889	5.50	4.50	.....	.....
1890	6.50	5.50	.....	.....
1891	5.50	4.00	.....	.....
1892	5.65	4.85	.....	.....
1893	4.50	4.00	$3.00	.....
1894	3.35	3.00	2.35	.....
1895	3.40	3.00	2.15	$1.90
1896	3.50	2.25	3.50	2.25
1897	2.25	1.90	2.25	1.90
1898	2.25	1.75	2.25	1.75
1899	2.40	2.00	2.40	2.00
1900	4.50	4.00	4.50	4.00
1901	3.25	2.75	3.25	2.75
1902	3.25	2.75	3.25	2.75
1903	4.00	3.20	4.00	3.20
1904	3.00	2.50	3.00	2.50
1905	3.50	3.00	3.50	3.00
1906	4.00	3.50	4.00	3.50
1907	4.75	4.00	4.75	4.00
1908	4.75	4.00	4.75	4.00
1909	4.50	3.70	4.25	3.50
1910	5.00	4.20	4.75	4.00

The CHAIRMAN. What is the royalty on high-grade iron ore in that region? Do you know what it is worth in the ground now?

Mr. PERIN. I do not know of any recent leases. The last ones reported to me were 25 and 35 cents a ton for the iron ore.

Mr. YOUNG. Where is this?

Mr. PERIN. In the Alabama district.

The CHAIRMAN. That is what they pay for the privilege of taking the ore out of the ground?

Mr. PERIN. Yes.

The CHAIRMAN. What is the royalty on coking coal in that region? What do they pay for that in the ground?

Mr. PERIN. According to my last information on the subject, 10 cents per net ton.

The CHAIRMAN. What is the value of bituminous coal other than coking coal?

Mr. PERIN. Practically the same. They go into other markets, and consequently the commercial side is very little different.

The CHAIRMAN. What would that make the land worth per acre in which those iron-ore deposits are located?

Mr. PERIN. Well, you understand that to take a royalty valuation in which a man is given 20 years to work the property out, it is hardly fair to multiply the total tonnage by the royalty and say it is worth that much to-day. However, the average of the best ores—the red ore—will run 50,000 to 54,000 tons to the acre, and that would be 50,000 times, say, take the minimum royalty of 25 cents, which would be $12,500 per acre to-day, on a royalty basis.

The CHAIRMAN. Estimating it on a royalty basis, how about the coal land?

Mr. PERIN. The Pratt seam will yield about 4,000 to 4,500 tons per acre, and at a royalty of 10 cents would be worth about $450 an acre. I do not mean to say that you can sell it for that now, but that would be the royalty yield.

The CHAIRMAN. What areas are supplied naturally by this region and what by other regions in the United States? In other words, what are the two great natural competing ore bodies in the United States?

Mr. PERIN. Well, you may take the Virginia district as being a competitor of the Alabama district in the northeastern market; the Alabama district would be a competitor of every district in the country. It sells in Chicago; it sells its iron in Pittsburg; and then comes the Lake region with its great holdings of ore, which are now shipped as far south as the Ohio River, to the furnaces at Ashland. The furnaces all through central Ohio and at Ironton use the Lake ores. In prosperous times Lake Superior ores are shipped as far south as Big Stone Gap, Va.

The CHAIRMAN. Take pig iron, what section of the country or what zone of commercial activity does that region control?

Mr. PERIN. The Birmingham district absolutely controls the market of Alabama, Georgia, Tennessee, Mississippi, Louisiana, a large part of Texas, but not that portion of Texas which is supplied from the Colorado Fuel & Iron Co. They reach as far as Chicago, and they sell a great deal of pig iron in the Pittsburg district.

They frequently ship iron to English markets when the tide is turned in that direction.

The CHAIRMAN. In the States you have mentioned south of the Ohio River, can the blast furnaces of Pittsburg or Gary, or any other region outside of this region, ship and sell pig iron at a profit in those States as against this region?

Mr. PERIN. No; I should say not.

The CHAIRMAN. Do you know whether or not prior to the absorption of the Tennessee Coal & Iron Co. by the United States Steel Corporation, the Steel Corporation owned a single blast furnace in the region you have mentioned, or owned an acre of ore?

Mr. PERIN. I do not know that they owned anything south of Pittsburg.

Mr. YOUNG. Mr. Perin, how does this iron-ore-bearing district lie? In what direction does it run, and about what is the width of it?

Mr. PERIN. The ore-bearing district runs approximately northeast and southwest following the general trend of the Appalachian Range.

Mr. YOUNG. And about what is the width of this range within which there is a possibility of discovering iron ore?

Mr. PERIN. Do you mean the east and west distance?

Mr. YOUNG. Yes.

Mr. PERIN. Speaking from memory, I should say 25 miles would be the maximum distance in which you would be apt to find ore in workable quantities.

Mr. YOUNG. And what is the character of the rock that lies to the east of the ore-bearing district?

Mr. PERIN. Well, that varies in different districts, but it is substantially Silurian; the overburden ranges up through the upper Silurian measures from Clinton up.

Mr. YOUNG. I am speaking now of this Birmingham district. Do these Silurian rocks continue on to the eastward out beyond the ore-bearing districts?

Mr. YOUNG. What lies to the eastward?

Mr. PERIN. To the eastward you find the large mica-schist deposits of Georgia, an entirely different horizon of nonore-bearing material.

Mr. YOUNG. So that your ore range, as you may call it, is 25 miles in width, roughly speaking?

Mr. PERIN. That is the maximum, and only that much in a few places. Generally, it is narrower.

Mr. YOUNG. About how long is it?

Mr. PERIN. Strictly speaking, it extends from Alabama to New York.

Mr. YOUNG. I mean where workable deposits of iron ore have been found, in what may be called the Birmingham district.

Mr. PERIN. I should say the range is practically from Chattanooga—I do not know whether you would call Chattanooga, strictly speaking, in the Birmingham district—but there are large deposits from Chattanooga down to below Birmingham as far as Tuscaloosa.

Mr. YOUNG. Now, you examined in this district about 500,000 acres of land?

Mr. PERIN. Yes.

Mr. YOUNG. About how much of that 500,000 acres did you classify as containing workable deposits of iron ore or available deposits?

Mr. PERIN. I can not tell you offhand, but the percentage of the coal field would be very much larger than that of the iron-ore field.

Mr. YOUNG. I am speaking of the iron-ore field.

Mr. PERIN. I can not tell you from memory. I will give you later the figures.

Mr. YOUNG. Well, would it be a large or small proportion?

Mr. PERIN. It is a rather small proportion of the total area.

Mr. YOUNG. Now, what other companies are there in that district that own iron ore besides the Tennessee Coal & Iron Co., the Sloss-Sheffield, and the Republic Iron & Steel Co.?

Mr. PERIN. Beginning at the South, there is an iron company which used to be known as the Central Coal & Iron Co., which has a furnace at Tuscaloosa; then the Woodward Iron Co., the Williamson Iron Co., the Southern Iron and Steel Co., the Birmingham Coal & Iron Co., the Birmingham Iron Ore Co., the Alabama consolidated—I do not know whether there are any more or not. You will have to ask some of these gentlemen who are more recently from that district in regard to that.

Mr. YOUNG. Did your committee make any examination of the lands belonging to those several companies to determine how much iron ore they contained?

Mr. PERIN. No. I have personally examined the property of the Birmingham Coal & Iron Co. I was their consulting engineer and purchased the property. I also had to do with the examination of all the iron-ore properties owned by the Southern Steel Co., but they are not in the Birmingham district. They are in the district 60 miles north of that district.

Mr. YOUNG. Then your statement that, roughly speaking, the Tennessee Coal & Iron Co. owns about 70 per cent of these ores——

Mr. PERIN (interposing). In the immediate Birmingham district.

Mr. YOUNG (continuing). Not having examined the ores owned by these other companies, it would be largely in the nature of a guess?

Mr. PERIN. An estimate; yes.

Mr. YOUNG. And good deal of a guess?

Mr. PERIN. No; we have the actual areas. They own between two lines. For illustration, you take a deposit the size of this table, and suppose you owned half of it and another man owned a quarter, and the intervening quarter was known to be of the same thickness—and the law requires them to report how much they own—and you know they have four forties and they contain ore 18 or 20 feet thick, as the case may be, the ore is so uniform in character that you can get a very fair approximation of what they own.

Mr. YOUNG. You say that this iron-ore range has been tilted from a depth of something like 3,000 feet?

Mr. PERIN. Yes.

Mr. YOUNG. Has it been badly broken in that tilting?

Mr. PERIN. Not in the Birmingham district, except at depths. A great deal is not known of the ore at depth, so that we only estimated down to what we considered a workable distance.

Mr. YOUNG. How does this ore lie in formation? Is it in regular veins or in the nature of pockets?

Mr. PERIN. It is a regular, uniform vein, varying somewhat in thickness, varying somewhat in quality—varying in quality as to depth—but wonderfully uniform in its character for about 25 miles.

Mr. YOUNG. And about what thickness?

Mr. PERIN. It varies. The ore-bearing measures are in places as high as 30 feet, but the actual workable ore we calculated, I think, about 11 feet.

Mr. YOUNG. Eleven feet in width?

Mr. PERIN. Ten or eleven feet; yes.

Mr. YOUNG. And that is running down at an angle varying from 12 to 30 per cent?

Mr. PERIN. Twelve to thirty degrees; yes.

Mr. YOUNG. Are there not places where these walls practically come together and pinch out the ore?

Mr. PERIN. Yes; and there are faults which cut it off straight.

Mr. YOUNG. And throw it to one side?

Mr. PERIN. All the way down or up. It is generally thrown up or down.

Mr. YOUNG. So that it is a very difficult thing to find again where there has been a fault?

Mr. PERIN. That is true.

Mr. YOUNG. And sometimes you can not find it again?

Mr. PERIN. That sometimes occurs.

Mr. YOUNG. And all those things affect values?

Mr. PERIN. Yes.

Mr. YOUNG. Is there much water there? Do you have much water to pump?

Mr. PERIN. The Sloss people were rather unfortunate in having a break in the measures which let water from the Cahaba River down into the mine, which put them to great expense. Generally speaking and in comparison with the Lake Superior region, the mines would be considered dry.

Mr. YOUNG. Now, you say from the time you started upon this work until you finished it was about six months. About how much of those six months was actually used by your committee in the examination of the depth?

Mr. PERIN. Well, there were five members of the committee and five or six assistants, and we made use of the engineering force of all of the other companies.

Mr. YOUNG. I am speaking especially about the committee now.

Mr. PERIN. The committee very often left the calculations to their assistants and to the statisticians we had with us. I suppose three months of the actual time of the committee was given to a study of maps and papers, and to visiting the plants, and so forth.

Mr. YOUNG. Did the committee itself make any examination of the deposits of the land?

Mr. PERIN. Oh, yes. They visited all the important mines in the district and made measurements of the working faces in Tennessee and Alabama.

Mr. YOUNG. You stated that the different mining companies gave you access to their records of borings and drill cores and that sort of thing?

Mr. PERIN. Yes.

Mr. YOUNG. Did you do any drilling yourself?

Mr. PERIN. No, sir. We were not authorized to drill at all, and were not provided with any funds for such a purpose.

Mr. YOUNG. Do you know how many drill holes had been put down altogether in that district at the time you examined it?

Mr. PERIN. I do not recall the number. The Geological Survey had put down a good many in the coal fields, and they were official records. The Tennessee Coal & Iron Co. had put down a few. There had been a great deal of drilling, taking it by and large.

Mr. YOUNG. How were these drill holes put down; all across the formation, or part of them running with it?

Mr. PERIN. They were generally vertical holes. We had no diagonal holes that I know of that were submitted to us.

Mr. YOUNG. They were vertical holes?

Mr. PERIN. Yes.

Mr. YOUNG. And ordinarily they would pass through the ore at an angle?

Mr. PERIN. Yes.

Mr. YOUNG. Were these sufficient to determine the accuracy, the thickness, the extent of those deposits as a whole where there were faults; where, as the old miners say, there were "horses"—rock that came in, and all that sort of thing?

Mr. PERIN. In an estimate of a deposit like any one of the Lake Superior deposits, it would have been valueless, but in a deposit like that of the Birmingham district, it was a very fair approximation.

Mr. YOUNG. But while it was a fair approximation, it might have been a good deal off, considering the difference in the quality of ore, and the change in it?

Mr. PERIN. It is quite possible. I think the committee got a fair approximation, because if there was any doubt about the value of a given territory, it was stricken from the list.

Mr. YOUNG. I have no doubt, Mr. Perin, you did the very best you could with the means at your command. Is it not a fact that the quality of the ore in the same vein changes very greatly within a very short distance?

Mr. PERIN. Not at depth, it does not. From the surface to a normal depth, say drainage level, there were wide changes, where the lime had leeched out, the ore is known as soft ore. At depth it becomes almost constant with a variation of a few points either way.

Mr. YOUNG. Nothing has been said about phosphorus here and I suppose all this ore is non-Bessemer?

Mr. PERIN. Practically.

Mr. YOUNG. So it has to be worked by the open-hearth process?

Mr. PERIN. Yes.

Mr. YOUNG. I notice on the second page of your report you have classified this ore into four classes. Class 1 red ore, hard, is said to run from 36 to 37 per cent in metallic iron, 10 per cent silica, and 15 to 16 per cent lime. The second class, 30 per cent metallic iron——

Mr. PERIN (interposing). I think that must be an error. It is 36, is it not?

Mr. YOUNG. It is given here as 30 per cent.

Mr. PERIN. The copy which I have shows it as 36 per cent.

Mr. YOUNG. I was wondering why the second class was lower in iron than the first class.

Mr. PERIN. The fourth-class ore even had more than 30 per cent. That had 32. I think that must be a stenographic error.

Mr. DANFORTH. What was the third class?

Mr. PERIN. Third class was 36 per cent iron, 16 to 18 per cent silica, and lime 10 to 12 per cent.

Mr. YOUNG. I presume this is merely a clerical error.

Mr. PERIN. Yes.

Mr. YOUNG. Now, in making these analyses, was this ore taken in its natural state or dried 212 Fahrenheit?

Mr. PERIN. It was all dried 212 so as to have it on a comparative basis.

Mr. YOUNG. So that as a matter of fact, in its natural state, the percentage would have been a good deal lower?

Mr. PERIN. Yes.

Mr. YOUNG. The percentage would have been a good deal lower of the amount of stuff you actually have to handle at the mine and handle on the cars?

Mr. PERIN. Yes; but bear in mind that this is hard ore, a majority of it, and does not carry a high percentage of moisture. Lake Superior soft ores will run about 10 to 20 per cent moisture.

Mr. YOUNG. What is the physical character of the brown ores?

Mr. PERIN. The brown ores are granular varying in size depending on the method of work. Where mined hydraulic, they are extremely fine, a number of fine granules are brought in which otherwise would be lost. Where mined and handled without going through the washer, the ore, of course, is lumpy.

Mr. YOUNG. They were all analyzed in the same way; dried to 212?

Mr. PERIN. Yes; the analytical averages were taken from furnace records. You see the iron industry had been carried on actively at Birmingham for 20 years. At the time this report was made we had the records of the furnaces and could prove every statement

they made by going back and showing how much the ore they used yielded, and so forth.

Mr. YOUNG. Do you know how much these ores lose in drying down to 212? Of course, they lose something?

Mr. PERIN. I suppose the average would be somewhere around 7 or 8 per cent. We can verify that from Phillips's estimate of it.

Mr. YOUNG. Now, the highest grade of ore you find there analyzing from 36 to 37 per cent, according to your report, dried 212 Fahrenheit, you would have to revise your figures a little, would you not, as to two tons and half of the ore in the ground making a ton of pig iron? It would be nearer 3 tons, would it not?

Mr. PERIN. Two and three-quarters, approximately.

Mr. YOUNG. Would it not be nearer 3 tons? Taking no account of the moisture and the ore running 36 per cent, 2½ tons of it would make nine-tenths of a ton of pig iron, would it not?

Mr. PERIN. Yes; but in pig iron there is 2 per cent more or less of silicon and 2 or 3 per cent carbon.

Mr. YOUNG. But, as a matter of fact, taking the ore in the ground, you practically have to use 3 tons, do you not?

Mr. PERIN. No; I do not think so.

Mr. YOUNG. For instance, take the ores in the north, which run 55 to 56 per cent dried to 212, we figure that it takes 2 tons to make a ton of pig iron, and we find that to be the case in actual practice.

Mr. PERIN. But your loss in flue dust is two or three points.

Mr. YOUNG. But that is very much less now than it was, and on the Old Range it would be practically nothing. I notice that in giving your list of the principal ore regions of the Lake Superior district you omitted the Marquette Range and the Vermilion Range. Was that inadvertent?

Mr. PERIN. Entirely inadvertent, and I meant to use the generic term, the "Old Range," meaning the Menominee and the Marquette and the Gogebic, and regarding everything from the north as Mesabi or Minnesota and Vermilion.

Mr. YOUNG. What do you include in the Menominee Range?

Mr. PERIN. I really am not sufficiently familiar with what is being done there in the last few years to have an opinion as to that.

Mr. YOUNG. Do you include the Crystal Falls district?

Mr. PERIN. No; I did not think of them.

Mr. YOUNG. And the Iron River district?

Mr. PERIN. No; I did not mean to include the Cayuna, either.

Mr. YOUNG. Those are now pretty large producers?

Mr. PERIN. Yes; and they may become much larger, too.

Mr. YOUNG. Are they not now pretty large producers?

Mr. PERIN. That I do not know. You are getting me out of my bailiwick when you get me north of the Ohio River.

Mr. YOUNG. What was the cause that led to your making this examination in 1904? Was there a proposition of merger between these companies?

Mr. PERIN. My knowledge of that is confined to my conversations with Mr. Alex. Thompson, who came here to New York and asked me to meet him at the Manhattan Hotel, and asked me if I would represent the Republic Co. in examining their properties and make a report to them in conjunction with other gentlemen. There was at the time, or had been for some time before that, efforts at a merger.

The business of manufacturing pig iron had been depressed. There had been a total absence of profit, and they were unable to get any price agreement, and a strong effort was made by Mr. Thompson to get the Tennessee, Republic, and the Sloss Cos. together.

Mr. YOUNG. Each of these companies had representatives acting together?

Mr. PERIN. Yes.

Mr. YOUNG. Then, really, the important thing which you had in mind was to get estimates equal, relatively, between these companies?

Mr. PERIN. Exactly.

Mr. YOUNG. And it did not make so much difference whether they were accurate as to amount if they were all on the same basis?

Mr. PERIN. My idea was to have the same percentage of error run through all three examinations.

Mr. YOUNG. And, naturally, that was the main thing you were looking out for in such an arrangement. The chairman was asking you some questions about this report of Mr. Phillips, in which he fixed a price, I think, of $6.50 for the manufacture of pig iron in Birmingham. Do you know what Mr. Phillips includes in his costs?

Mr. PERIN. I read his report at the time it was published. He sent me a copy of it and I was very much interested in it, but I have forgotten exactly what it was.

Mr. YOUNG. Do you know at what price he puts in his iron ore?

Mr. PERIN. I do not recall those details.

Mr. YOUNG. Do you know at what price he puts in his coal?

Mr. PERIN. I do not recall any of the details. I simply remember at the time I lived in the Birmingham district such a cost was considered possible, and it is claimed by many that they did as well.

Mr. YOUNG. Do you know what allowance, if any, he made for depreciation?

Mr. PERIN. I do not know that. My own opinion is that the cost of keeping of the blast furnaces of our country has been radically wrong. We have never allowed sufficient amount for the destruction of the property, either the coal or the iron-ore property, nor have we made proper allowances for renewal and replacement of the plant.

Mr. YOUNG. Without knowing what elements went into this cost, and on what it had been figured, the estimate would not be of any value, would it? It would not be anything that you and I would base a judgment on?

Mr. PERIN. Well, it is but fair to say that Mr. Phillips was a competent man and was in daily contact with the records of the plant. He saw the costs of production. He saw the costs which the local management turned in to their board of directors as the cost of production. Whether ample provision was made for depreciation, and so forth, I do not know.

Mr. YOUNG. Do you know what his report was made for?

Mr. PERIN. No; I do not know, except he was a man of scientific attainment and was frequently called upon to read papers before the American Institute of Mining Engineers and to write for technical journals, and he was given to writing scientific papers frequently.

Mr. YOUNG. Was not the Tennessee Coal & Iron Co., at about the time that report was made, making quite strenuous efforts to get more money into it in order to develop their property?

Mr. PERIN. I never knew them when they were not in that condition, sir.

The CHAIRMAN. That is, prior to the formation of this syndicate?

Mr. PERIN. Prior to their ownership by the United States Steel Corporation. Prior to that time they were always impecunious.

The CHAIRMAN. Was that the case when this syndicate—Hanna and Payne—controlled the property?

Mr. PERIN. No. I will modify my statement and say that at the time it passed into the hands of stronger people it had sufficient capital for its wants.

Mr. YOUNG. During the time it was in the hands of those stronger people, notwithstanding the very low cost of making pig iron, the advantages of the proximity of ore and coal and limestone, the very best that syndicate could do was to pay a dividend of 4 per cent on the stock, which was stated by them to have all gone in money and money's worth into that property. It not that a fact?

Mr. PERIN. I have not any accurate knowledge of that.

Mr. YOUNG. That is the statement made by some of the members of the syndicate. You would not regard that as a fair profit on such a proposition as this, would you?

Mr. PERIN. No.

Mr. YOUNG. Where there are such great uncertainties?

Mr. PERIN. No; the hazard of the business is too great. You could not live at a 4 per cent profit in the iron business anywhere. You would be making the acquaintance of the sheriff in a very short time if you could not earn more than 4 per cent.

Mr. YOUNG. The mining business, even the mining of iron ore where the deposits are reasonably regular, contains a great many elements of uncertainty and hazard, does it not?

Mr. PERIN. There is no question about that.

Mr. YOUNG. And a little mistake in the method of mining may cost you hundreds of thousands of dollars; is not that true?

Mr. PERIN. Yes.

Mr. YOUNG. Even where the best expert talent is used the impossibility of knowing just how these deposits lie causes great expense and great hazard?

Mr. PERIN. Yes.

Mr. YOUNG. Now, you said something about the situation in India, where you had been operating and where your costs, I think you said, were $6.50?

Mr. PERIN. That is the paper cost—what we estimate it will be.

Mr. YOUNG. You have actually operated furnaces, have you not?

Mr. PERIN. Yes, sir. As I told you, I have held every position from fireman to proprietor.

Mr. YOUNG. You have found, have you not, that there is a vast difference between costs as determined in actual operation and those that you figure out on paper beforehand?

Mr. PERIN. I regret to say I have, sir.

Mr. YOUNG. That is the experience of the very best talent in the business, is it not?

Mr. PERIN. It certainly is.

Mr. YOUNG. I understood you to say that you could not see any great profit in this India business because of your limited market?

Mr. PERIN. Yes.

Mr. YOUNG. In a less degree, is not that true of the Birmingham district at present, that its market is practically confined to the South, and the development there in the iron and steel business is yet very far behind that of the North?

Mr. PERIN. I can not help thinking that the development in the South will be extremely rapid, and there will be a constant appreciation in the value of any mineral deposits in the South.

Mr. YOUNG. I hope that is true, and I think it is true; but I am speaking of present conditions. There is not much market down there at present?

Mr. PERIN. There is a limited market for steel rails and for pig iron from the local foundries and consumed by the local railroads.

Mr. YOUNG. None of these concerns operating at Birmingham has been able to find much of a market in the North for anything but pig iron, notwithstanding their low cost?

Mr. PERIN. That is right.

Mr. YOUNG. And I presume that is due to their want of development?

Mr. PERIN. Yes.

Mr. YOUNG. And in selling the pig iron, they have not got the customers for it in the South, because there are not the mills there for the manufacture of the higher grades of iron and steel?

Mr. PERIN. There are not the foundries there, the agricultural implement factories, and there is no large consumer of pig iron, except the cast-iron pipe foundries.

Mr. YOUNG. Then, if the production of pig iron became very large down there, under present conditions, the great bulk of it would have to be marketed in the North?

Mr. PERIN. Yes.

Mr. YOUNG. That is one of the conditions you have to contend with there?

Mr. PERIN. Yes.

Mr. YOUNG. You said something about royalties on coal of 10 cents per ton, and on iron ore running from 25 to 35 cents. Are those in large bodies of ore or small bodies, where these leases have been made?

Mr. PERIN. As I say, it has been sometime since I had occasion to be familiar with this matter in detail, but I think the State of Alabama has been willing for some time past to lease up to 640 acres at 10 or 12 cents per ton for coal.

Mr. YOUNG. The State of Alabama?

Mr. PERIN. Yes; the University. There is a certain amount of coal land belonging to the State University. It is that part given by the National Government to the State, and given by the State to the University.

Mr. YOUNG. Have they found people to take those leases in large amounts?

Mr. PERIN. I think a fair proportion of the merchant tonnage comes from leased property.

Mr. YOUNG. Could you tell us, roughly, what proportion of the tonnage is merchant tonnage down there?

Mr. PERIN. I can not tell you off-hand, because the varying tonnage used in the iron business would alter the percentage of the merchant tonnage.

Mr. YOUNG. It is pretty small down there, is it not?

Mr. PERIN. No; I would say six or seven million tons.

Mr. YOUNG. For what is this coal used? Is it used for anything besides the making of iron?

Mr. PERIN. Yes; by the industries of Alabama. All of the sugar refineries use coal; the railroads and the domestic consumption is heavy; the manufacturing consumption in Atlanta is large. Atlanta uses over a million tons per year. New Orleans is a large consumer. New Orleans receives a great deal of coal from Pittsburg, but in periods of drought the Alabama coal fields are called upon to supply New Orleans.

Mr. YOUNG. Do these mining companies sell any of their coal, for domestic use, to the railroads, or is it confined to the merchant business?

Mr. PERIN. I do not speak from actual knowledge of the present policy of the Tennessee Co., but formerly they had certain lines the product of which was consumed almost entirely in domestic trade. They supplied the Alabama Great Southern, the Louisville & Nashville, and other railroads. I understand now that railroad tonnage is taken from the merchant mines and the large steel companies have the general policy of conserving their own coal for the manufacture of coke.

Mr. YOUNG. Is practically all of this coal suitable in the manufacture of iron and steel?

Mr. PERIN. No; but the character of coal that can be used in the coke oven has been widened so that there is to-day not the great distinction there was a few years ago between what was then called coking coal and noncoking coal.

The CHAIRMAN. Gentlemen, I have here a letter from Mr. L. C. Hanna, addressed to the chairman of this committee, correcting his memory of certain prices of ores as stated in the record. He wished me to make the correction, and I will put his letter in the record. I will say that Mr. Hanna was giving these prices from memory, and so stated. He now wishes to place a corrected statement in the record.

(The letter referred to is in the words and figures following, to wit:)

BEVERLY FARMS, MASS., *July 30, 1911.*

Hon. A. O. STANLEY, *New York City.*

DEAR SIR: I find, in looking over some papers of statistics since my return, that I was mistaken in stating that my recollection of the price of Lake Superior iron ore was higher in 1902 than in 1910. The price in 1902 was on the average about 50 cents per ton lower than in 1910. I don't know that this correction is of any importance to you, but it is a relief to me to correct it. I have been out of active business for nearly six years, a part of which time in very poor health, which is a valid excuse for my memory at times failing me in figures and details. Thanking you for your courtesy during the time I was under your control,

Sincerely, yours, L. C. HANNA.

(Thereupon the committee took a recess until 2 o'clock p. m.)

AFTER RECESS.

The committee met pursuant to taking a recess.

The CHAIRMAN. The committee will resume its session.

STATEMENT OF MR. WILLIAM M. GIVEN.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Please give your full name to the stenographer.

Mr. GIVEN. William M. Given.

The CHAIRMAN. What is your business?

Mr. GIVEN. Civil and mining engineer.

The CHAIRMAN. How long have you been engaged in that business?

Mr. GIVEN. About 25 or 26 years.

The CHAIRMAN. Have you had any experience in civil and military life as an engineer?

Mr. GIVEN. I have.

The CHAIRMAN. Please state to the committee what it has been.

Mr. GIVEN. I have appeared in some railroad locations and survey and construction work, Government work, mining in the Birmingham district, and the producing of coal, and for the past 13 years I have had an office in Birmingham as consulting engineer, railroads and mines a specialty.

The CHAIRMAN. Have you ever been in the service of the Government?

Mr. GIVEN. Only as engineer.

The CHAIRMAN. How long have you lived in the Birmingham district?

Mr. GIVEN. I came to Birmingham first in 1881. I left there in 1890, and was away for eight years, coming back in 1898, when I opened an office as consulting engineer.

The CHAIRMAN. What part of your life has been spent in that region, in the iron and coal region in and about Birmingham? Do you know it well?

Mr. GIVEN. I think I do; yes, sir. I have spent about 20 to 25 years there.

The CHAIRMAN. Have you done much surveying and prospecting work of that kind in that immediate region? Do you know the ore fields?

Mr. GIVEN. Yes, sir.

The CHAIRMAN. And the coal deposits?

Mr. GIVEN. I know the Birmingham district, I think, thoroughly.

The CHAIRMAN. I have here a report made to the Tennessee Coal & Iron Co., the Sloss-Sheffield Co., and the Republic Iron & Steel Co. in reference to the coal and ore deposits in that region. Did you make that report? [Handing witness report.]

Mr. GIVEN (after examining report). I was one of five appraisers appointed by these three companies to examine and value their mineral holdings.

The CHAIRMAN. Did you investigate those holdings?

Mr. GIVEN. I did.

The CHAIRMAN. Were you actively engaged in that work?

Mr. GIVEN. Yes, sir; I was.

The CHAIRMAN. For how long?

Mr. GIVEN. Between three and four months. We were about three months, to the best of my recollection, in making the examination.

The CHAIRMAN. Were you constantly engaged in that work during that time?

Mr. GIVEN. Yes, sir.

The CHAIRMAN. Please state how you made that investigation and to what extent it is accurate.

Mr. GIVEN. Well, we visited the properties of each one of the companies. We had access to all their mines, office reports, and so forth, all data bearing on their properties. In addition to that, I had data that I had in my own office, my private property, which I had obtained in my capacity as consulting engineer for different companies and individuals owning property or wishing information in regard to the Birmingham district. The knowledge that I had acquired in that way I brought to bear on these values.

The CHAIRMAN. Were there any extensive borings in that region?

Mr. GIVEN. At that time there had not been any very extensive borings.

The CHAIRMAN. Since that time?

Mr. GIVEN. Yes, sir.

The CHAIRMAN. What was the result? Did they show a greater or less amount of ore than your report shows?

Mr. GIVEN. I wish to state right now and to be understood that this report and the percentages shown here apply only to the three companies considered, and not to the district at large at all.

The CHAIRMAN. I understand.

Mr. GIVEN. They do not apply to the Birmingham district.

The CHAIRMAN. How many open mines were being operated at that time?

Mr. GIVEN. I do not recall; probably a large number.

The CHAIRMAN. You had, then, every facility for ascertaining accurately the extent of the deposits in that region?

Mr. GIVEN. Everything being operated at that time.

The CHAIRMAN. Was that a unanimous report?

Mr. GIVEN. It was.

The CHAIRMAN. Please explain to the committee, in your own way, the way in which these deposits are located with reference to each other, and what facility there is for assembling the raw material at the plant?

Mr. DANFORTH. Have we not got that pretty thoroughly in our minds?

The CHAIRMAN. I think so.

Mr. DANFORTH. No one has contradicted that.

The CHAIRMAN. There has been a good deal of evidence as to the value of the holdings.

Mr. DANFORTH. The value, yes, but you are talking now about the locality of the different deposits.

The CHAIRMAN. This leads up to another question.

Mr. GIVEN. In Birmingham, where I live, we do not consider that the Birmingham district is bounded by Red Mountain and Rock Mountain on the west; we call the Birmingham district everything that is tributary to Birmingham as a common center. We call Anniston in the Birmingham district. We regard Cedartown, Ga., as in the Birmingham district, for ores from Cedartown are shipped to

the district—to the furnaces there. There is a furnace company which operates and uses its own ore mined over near Cedartown.

The CHAIRMAN. What percentage of that region indicated on this map which the Tennessee Iron & Coal Co. originally had—what per cent of those ores is now open to the market to be purchased by any man?

Mr. YOUNG. You mean the district clear up to Chattanooga?

The CHAIRMAN. No; I mean the district where the Tennessee Coal & Iron Co.'s holdings are located.

Mr. LINDABURY. If you will pardon me, your question has an inaccuracy in it. The district referred to in your question is not all on the map.

The CHAIRMAN. No.

Mr. LINDABURY. You connected it with the map, and it is not all on the map.

Mr. GIVEN. There is a great deal of property shown on that map which the board of appraisers at that time regarded as barren property and is, so far as any present or immediate future is concerned, barren property.

The CHAIRMAN. I am speaking of available ores.

Mr. GIVEN. Well, the available ore—you know there are three different kinds of ore.

The CHAIRMAN. Ore in the district that can now be converted into pig iron at a profit?

Mr. GIVEN. Even then, there are three different kinds. There is the red fossil ore in Red Mountain; there is the limnite or brown ore in the valley to the eastward of Birmingham on the east slope of the Blue Ridge; and semimagnetite ores, which contain a very large reserve body of ore never in the market. Only a very small percentage of that ore is now capable of being used, on account of its high percentage of titanic. When the chemists—it is, of course, a matter of time—when they remove that obstacle there will be an untold volume of ore dumped into the southern market, independent of the ore there.

The CHAIRMAN. I am afraid that you do not understand my question at all. What per cent of the available merchantable ore in the region in which are located the holdings of the Sloss-Sheffield Co., the Tennessee Iron & Coal Co., and the Republic Iron & Steel Co., what per cent of those ores is now open to any purchaser who chooses to buy in the market?

Mr. GIVEN. Let me see if I understand the question you are asking. Let me repeat it so that I can get it into my own head. Am I to understand the question as being what percentage of the ores that are now available to turn into the market or to convert into pig iron?

The CHAIRMAN. Yes, sir.

Mr. GIVEN. At this present moment?

The CHAIRMAN. Yes, sir.

Mr. GIVEN. That can be bought in the open market, the properties I mean—I would say none, except at an exorbitant and such a price as would not be considered.

The CHAIRMAN. Who holds those ores now? In whose possession are they; what companies?

Mr. GIVEN. They are owned by companies and individuals; the Sloss-Sheffield Co., the Tennessee Coal & Iron Co., the Southern

Steel Co., the Alabama Consolidated Co., the Republic Iron & Steel Co. I believe the Birmingham Iron Co. owns a little, and some few private individuals. The only real cheap ore, which is considered cheap ore on Red Mountain, is owned by Mr. A. J. Steinman, of Lancaster, Pa.

Mr. YOUNG. Did you mention the Woodward Co. in the list?

Mr. GIVEN. If I did not, I should have; that is very important.

The CHAIRMAN. What per cent of those ores is held by the Tennessee Coal & Iron Co.?

Mr. GIVEN. Ores that are now being worked?

The CHAIRMAN. Yes, sir.

Mr. GIVEN. I should say from 60 per cent to 70 per cent.

The CHAIRMAN. Have you a chart showing the relative holdings of these three companies?

Mr. GIVEN. Of the outcrop line, I have.

The CHAIRMAN. Let us have that chart.

Mr. GIVEN. This pertains only to the outcrop line of Red Mountain.

The CHAIRMAN. Is that where the principal ore deposits of value are located?

Mr. GIVEN. Yes, sir.

Mr. DANFORTH. Is that the red or brown ore?

Mr. GIVEN. The red ore.

Mr. LINDABURY. The brown ore is not shown?

Mr. GIVEN. No, sir.

The CHAIRMAN. I notice on this map a little corner or angle not marked anything?

Mr. GIVEN. That is a little piece of land belonging to Mr. Steinman.

The CHAIRMAN. How many acres in it?

Mr. GIVEN. Twenty-nine acres, if I remember rightly.

The CHAIRMAN. Do you know whether the ore in that region has ever been leased?

Mr. GIVEN. Yes, sir.

The CHAIRMAN. On royalty?

Mr. GIVEN. It is now operated by the Clinton Mining Co., I believe they call themselves.

The CHAIRMAN. What royalty is paid for the ore?

Mr. GIVEN. I do not know what royalty is paid.

The CHAIRMAN. Have you any idea?

Mr. GIVEN. Yes; I have an idea that it is more than 25 cents a ton.

The CHAIRMAN. Do you know what royalty has been offered for that ore?

Mr. GIVEN. Yes, sir.

The CHAIRMAN. How much?

Mr. GIVEN. Thirty-five cents. I was his engineer at the time and advised him to refuse it.

Mr. DANFORTH. Is that for the purchase of the land?

Mr. GIVEN. The royalty on the ore.

The CHAIRMAN. You advised him to refuse 35 cents?

Mr. GIVEN. Yes, sir.

The CHAIRMAN. At that rate, what is the land worth?

Mr. GIVEN. About $17,000 an acre.

The CHAIRMAN. Is it in the midst of the region in which the Tennessee Coal & Iron Co. has these vast holdings that you speak of?

Mr. GIVEN. It is.

The CHAIRMAN. Do you know the tonnage of the Tennessee Coal & Iron Co. similar to this in this territory?

Mr. GIVEN. I have an estimated tonnage here.

The CHAIRMAN. What is it?

Mr. GIVEN. At the time this committee made this appraisement of their property—at that time we estimated, according to our best light, that the Tennessee Coal & Iron Co. owned the tonnage as set forth in this report. I suppose that has been seen by you gentlemen?

The CHAIRMAN. Yes, sir; they have all examined it.

Mr. GIVEN. And all know what that is.

The CHAIRMAN. How many acres of a similar character to that of Mr. Steinman's are there?

Mr. YOUNG. Of the same value?

The CHAIRMAN. Yes, sir; similar to that in character.

Mr. GIVEN. I want to explain right here in regard to this sketch. There are 200 mines in the Red Mountain district. I have seen that from New York to Alabama.

Mr. DANFORTH. Where are the 29 acres?

Mr. GIVEN. Right there [indicating on sketch]. Reeders Gap is here [indicating], and below Reeders Gap the ore is very much thinner.

Mr. DANFORTH. Which is north and south?

Mr. GIVEN. It is practically north this way [indicating on sketch].

Mr. DANFORTH. Where is the railroad?

Mr. GIVEN. Up and down on this side of the mountain [indicating on skecth]. This [indicating on sketch] is just the crest of Red Mountain. It is an illustration of the condition of affairs at that time. Now, at Spalding, and this region in Gracies Gap through which the Louisville & Nashville Railroad passes, this ore undergoes a change to what is known as the big vein. The big vein of Red Mountain constitutes its chief value from Gracies Gap to Reeders Gap.

Mr. DANFORTH. Are those places marked on this sketch?

Mr. GIVEN. That is between these two points here [indicating on sketch].

Mr. YOUNG. That is the cream of the whole district?

Mr. GIVEN. In that district—in this area between my two thumbs [indicating on sketch] the big seam, as it is known, carries from 22 to 26 feet of ore, about 12 feet to 14 feet of which is high-grade ore.

The CHAIRMAN. What per cent of that cream does the Tennessee Coal & Iron Co. hold?

Mr. GIVEN. They own all of the cream except the property of the Sloss-Sheffield Co., the Woodward Iron Co., and Mr. Steinman's holdings there [indicating on sketch].

The CHAIRMAN. Can you give me an approximate estimate of the number of tons and acres in that favored region?

Mr. GIVEN. No; I can not, offhand. It would require calculation. I would have to figure it out.

Mr. DANFORTH. What percentage of that particular district that you designate as the big vein is owned by the Tennessee Coal & Iron Co.?

Mr. GIVEN. It is all owned by the Tennessee Coal & Iron Co., except what belongs——

Mr. DANFORTH (interposing). You have mentioned those companies, about what percentage?

Mr. GIVEN. About 70 per cent.

Mr. DANFORTH. Of that vein?

Mr. GIVEN. Yes, sir.

The CHAIRMAN. What is the number of miles of outcrop owned by each one of those companies?

Mr. YOUNG. The miles of outcrop?

The CHAIRMAN. Yes, sir.

Mr. GIVEN. This map goes away down below Reeders Gap, and away above Birmingham to Long Pine. As I neglected to state just now, above Gracies Gap up to Spalding there is only about 6 feet of the big vein that was worked at the time this estimate was made. Please be careful to listen to what I am saying—at the time this estimate was made. After going a few miles northeast we come to Red Gap, and northeast from there Irondale, and Irondale shows an outcrop of about 3 to 3½ feet thick, owned principally by the Sloss Co.

Mr. YOUNG. It gets thicker as you go down?

Mr. GIVEN. Thicker.

The CHAIRMAN. In your report you speak of so many tons of high-class ore; is that all located at this point?

Mr. GIVEN. Yes, sir; it is.

The CHAIRMAN. How many tons there?

Mr. LINDABURY. Four hundred and two million.

The CHAIRMAN. I think it is.

Mr. GIVEN. Something like 400,000,000.

Mr. DANFORTH. That is the total of all the red ore?

Mr. LINDABURY. Of all classes.

The CHAIRMAN. I want to get the number of tons of ore similar to the ore of Mr. Steinman.

Mr. GIVEN. There are tables in this copy, but let me see mine. You have that fixed differently, I think.

Now, let me explain right here in regard to the Steinman property that the Steinman ore is similar to the ore owned by the Tennessee Coal, Iron & Railroad Co. lying on either side of it on the mountain. They operate mines both below and above it on Red Mountain, and they mine all the ore that we combined under the head of first and second class ore, everything except fourth-class ore.

Mr. YOUNG. The third class, too?

Mr. GIVEN. Yes, sir.

Mr. YOUNG. The first, second, and third classes?

Mr. GIVEN. Yes, sir.

The CHAIRMAN. Can you give me an idea, approximately, of the number of tons of ore owned by the Tennessee Coal & Iron Co. similar in value and character to the ore owned by Mr. Steinman, on which he refused, at your instance, a royalty at 35 cents a ton?

Mr. GIVEN. We have, excluding the leased property here, excluding the fourth class, 381,029,700 tons, or 86.9 per cent of the total holdings of these three companies, the companies whose property was being considered at that time, and including leased property, 388,509,100 tons, or 85.5 per cent of the total holdings of these three companies whose properties were being considered by the board of appraisers—that is, of the red ore.

The CHAIRMAN. That is the number of tons similar to the Steinman ore?

Mr. GIVEN. Yes, sir.

The CHAIRMAN. The Tennessee Coal & Iron Co. had 85 per cent of that amount?

Mr. GIVEN. Yes, sir.

The CHAIRMAN. Do you know anything about the coal holdings of the Tennessee Coal & Iron Co., the nature, quantity, and value of the vein?

Mr. GIVEN. I do.

The CHAIRMAN. Please state the amount of the tonnage of coal they have, the number of acres of land, what that coal is worth in royalty per ton and what the land is worth per acre.

Mr. GIVEN. I can give you the tonnage estimated at the time this examination was made by the appraisers.

Mr. DANFORTH. In 1904?

Mr. GIVEN. Yes, sir. From February to June we were engaged on that work. On February 12, if my memory serves me right, we started, and about June 10 we shut up shop and went back to our own business.

To begin with, we will say that the Tennessee Iron, Coal & Railroad Co. owns a very large and very varied coal property, some of it very valuable, and some worthless absolutely as a coal proposition. They own thousands of acres of land that will not pay to dig coal on in my life or in the lifetime of anybody here present. Then they own thousands of acres very valuable at this minute, and increasing in value every minute.

The CHAIRMAN. Give us the acres of valuable land, and tell us what the coal is worth in the ground and the number of tons to the acre it will produce.

Mr. GIVEN. We found on our examination that in the State of Tennessee, at Tracy City as a center, we considered 78,298 acres of land. We regarded 30,000 acres of that as carrying coal. Thirty thousand of the 78,298 acres we classified as first-class steam coal, and second class as a coking coal on account of its high percentage in sulphur. That gave them a tonnage of 96,000,000 tons, 2,000 pounds to the ton.

Mr. YOUNG. Does that belong to one company?

Mr. GIVEN. The Tennessee Coal & Iron Co., and at Tracy City the Whitwell holdings in Tennessee.

Mr. YOUNG. 96,000,000 tons?

Mr. GIVEN. Yes, sir; that is their Tennessee holdings. As regards royalty, I believe you asked?

The CHAIRMAN. Yes, sir; what is a fair royalty?

Mr. GIVEN. I would say 6 cents a ton would be a fair royalty for that coal.

The CHAIRMAN. That is the Tennessee coal?

Mr. GIVEN. Yes, sir; 6 cents a ton.

The CHAIRMAN. What value would you put on the land per acre?

Mr. GIVEN. Something like $190 to $200 an acre.

Mr. YOUNG. That would not be paid until taken out?

Mr. GIVEN. Yes, sir; and the coal put on the market.

The CHAIRMAN. Then what other lands?

Mr. GIVEN. I will state right here—you have asked in regard to royalty value, the royalty value varies according to accessibility, the thickness, value of coal, etc., the value as a product for steam or other purposes, and some coals, very high-grade coals in quality are very expensive to mine, and consequently, the royalty must be low. We find that in Walter, Marion, and Fayette Counties the Tennessee Co. had 90,017,500 tons of the Jefferson or Black Creek seams of coal. which we classed as first-class domestic and second-class steam. That coal is thin, from 24 to 32 inches, sometimes 38 inches in thickness. I should say 5 cents a ton would be a good royalty for that Black Creek or Jefferson coal.

The CHAIRMAN. How many acres were in that tract?

Mr. GIVEN. We estimated there were 36,000 acres bearing coal, and we estimated the total acreage as 72,015.

The CHAIRMAN. Estimated on that royalty, what would be the value per acre of that land?

Mr. GIVEN. That would give that land $125 an acre as a royalty value.

Mr. YOUNG. Like the other, that is to be paid for when the ore is taken out?

Mr. GIVEN. Yes. They would not give it before. They do not pay royalties in advance. Then we have the Gamble mine. They had 640 acres, all mineral bearing. The Corona seam of coal, which we class as second-class steam, and give them 2,000,000 tons. Five cents a ton royalty would be fair for that.

Mr. DANFORTH. You have skipped the Gamble and Galloway seams, 4,500 acres, mineral bearing, on our table here.

Mr. GIVEN. Yes; I overlooked that.

Mr. DANFORTH. You give 36,000 acres mineral bearing. That was the Walker, Marion, Fayette County lands, in Alabama, and right under that comes 4,500 acres which apparently is all mineral bearing.

Mr. GIVEN. That is 4,500 acres that carry the Gamble and Galloway seams of coal, as distinguished from the Jefferson and Black Creek.

Mr. DANFORTH. Yes; second-class steam.

Mr. GIVEN. Gamble & Galloway coal were both considered as second-class steam, and we give 16,450,000 tons, at 5 cents a ton. There are 4,500 acres.

The CHAIRMAN. What would be the value per acre, estimated on that royalty?

Mr. GIVEN. That would give a value of about five or six hundred dollars an acre.

The CHAIRMAN. Now proceed in the same way with the rest of them.

Mr. GIVEN. Then we come to that 640 acres of the Mary Lee seam, second-class steam. We give 2,000,000 tons for that, and that is worth about 7 cents a ton—the Mary Lee seam, about $425 or $430 an acre. I will state that the Mary Lee seam is the main coking seam of the Birmingham district for furnace coke; that is the dependence of the Birmingham district for furnace coke.

Mr. DANFORTH. What is the value of the land per acre?

Mr. GIVEN. About $450—$425 to $450.

Mr. DANFORTH. For the Mary Lee seam?

Mr. GIVEN. Yes. Then we come to the Swansea district, up in Blount County, Ala. We have estimated 2,000 acres there, giving 6,000,000 tons of second-class steam coal. The identity of the seam has never been fully determined. It is a very much disturbed area in there, and its value as a market proposition is very hard to arrive at. I would be uncertain about what value to place upon an undeveloped piece of property there as to royalty value. It would be hard to estimate what would be a fair royalty value for that property until you got on it and saw what you had, because you would be liable to run into almost anything.

The CHAIRMAN. Well, could you approximate it?

Mr. GIVEN. Well, I would say 3 cents a ton.

The CHAIRMAN. What would that make the land worth per acre?

Mr. GIVEN. It would make that land worth about $60 an acre. Then we come to another body of land of 5,320 acres which classes as first-class steam. We allow 15,960,000 tons for that acreage. Five cents a ton royalty on that would make the land worth $150 an acre, as a royalty proposition, when the royalties were all paid in. Now, we come to some of the most valuable property in the district, the Cahaba field, lying to the southeast of Birmingham.

Mr. DANFORTH. In Alabama?

Mr. GIVEN. Yes, sir. We find that the Tennessee Co. owns there 66,440 acres, all carrying first-class steam and domestic coal, or 300,000,000 tons, and that is worth about 7 cents a ton royalty, or about $350 an acre.

Mr. YOUNG. I see you do not put any figures out there in the column headed "Acreage considered mineral bearing."

Mr. GIVEN. That is all considered coal bearing.

Mr. YOUNG. The whole thing?

Mr. GIVEN. Yes. That lies right in the heart of the Cahaba field. Then we have the Pratt field, southeast of the Warrior River, in Jefferson County, Ala. That embraces the Pratt, Nickle Plate, the Big Seam, the Jefferson, and Black Creek seams, all underlying the Pratt. They have 79,500 acres in that body of land, 60,000 acres of which carries the Pratt and Nickle Plate, the upper measures. The Pratt seam would yield about 5,000 tons to the acre on an average, and is worth about 10 cents a ton in the ground. The Nickle Plate or America will yield about 3,000 tons to the acre on an average, and is worth, on an average, 4 cents a ton royalty. The principal mines operating on the Big Seam—I will only quote those operated by the Tennessee Co.—at Blue Creek, Adger, Belle Sumter, that will yield from 8,000 to 10,000 tons to the acre, and is worth 7 to 8 cents a ton in the ground.

Mr. DANFORTH. What tonnage does that make? This table seems to be different from the one you are reading.

Mr. GIVEN. On the Big Seam we give them 504,000,000 tons first-class coking coal.

Mr. DANFORTH. How much is your estimated royalty on that?

Mr. GIVEN. From 7 to 8 cents per ton.

Mr. DANFORTH. What did you say the royalty was on the first item—270,000,000 tons first-class steam coal and coking coal?

Mr. GIVEN. The Pratt seam is worth 10 cents a ton anywhere that the Tennessee Co. or the Sloss Co. own it now.

Mr. DANFORTH. You have got that totaled at 270,000,000, have you not?

Mr. GIVEN. Yes, sir.

The CHAIRMAN. Can you take those figures and take paper and pencil and calculate about what that land is worth per acre in the Pratt field?

Mr. GIVEN. There are no Pratt fields for sale now that could be bought. A thing is worth what it will bring in the market, but, considering its royalty value, I can tell you it is worth 10 cents a ton. That would be the lowest royalty you could get in the Pratt seam.

The CHAIRMAN. As I understand, you have told me about three different seams in the same land.

Mr. GIVEN. There were four different seams.

The CHAIRMAN. One underlying the other?

Mr. PRATT. Yes, sir.

The CHAIRMAN. Of course, a title in fee simple would carry all four seams?

Mr. GIVEN. Yes, sir.

The CHAIRMAN. Now, can you add the royalties on those four seams and give me approximately its value?

Mr. GIVEN. Yes, sir; we are coming to that. We are going through them in detail, and then take them in totals.

Mr. YOUNG. We can multiply that out just as well as the witness, and it seems to me it is a sort of waste of time to have him multiply these things out during our sittings.

The CHAIRMAN. Yes; but I was thinking he could do it so readily, and for the purpose of the record it would be better to have it multiplied out.

Mr. YOUNG. If it would not take too long.

The CHAIRMAN. He would probably be glad to do that after we are through. I will ask you to make that estimate after we are through.

Mr. GIVEN. Yes; I would rather make it afterwards.

Mr. DANFORTH. What did you give as to the royalty on the Black Creek seam?

Mr. GIVEN. Three cents. That is down deep and would require shafting.

Mr. DANFORTH. What do you mean by deep?

Mr. GIVEN. Underlying all these other seams.

Mr. DANFORTH. About how many feet down?

Mr. GIVEN. Anywhere from 100 to 300 feet, and it would be a shafting proposition. Then we come to the Blue Creek Basin, and so you may understand it more thoroughly, I will state that the Warrior Basin is divided by an interior fault about a mile wide. There is an upflow there that cuts the field in two and forms a basin to the southwest of the main basin of the Warrior coal field, and it is called the Blue Creek Basin, the smaller basin to the southwest. It is called the Little Warrior or Blue Creek Basin, for the reason that it carries none of the measures above the Blue Creek. That is designated here as the Blue Creek Basin. The Tennessee Co. is mining there now.

Mr. DANFORTH. Is that in Alabama?

Mr. GIVEN. Yes, sir; in Jefferson County. They have 9,960 acres there, of which we found 4,389 mineral-bearing, which is first-class coking coal, yielding 35,112,000 tons.

Mr. DANFORTH. What is a fair royalty on that?

Mr. GIVEN. About 7 or 8 cents a ton.

Mr. DANFORTH. How many tons to the acre?

Mr. GIVEN. About 8,000 tons to the acre; $550 to $600 per acre would be the yield in royalties. Then there is the Jefferson and Black Creek, first-class steam and second-class coking, 15,800,000 tons, at about 4 cents per ton.

Mr. DANFORTH. Those two veins are on that same 4,300 acres?

Mr. GIVEN. Yes, sir.

The CHAIRMAN. Did you figure out what that would make the land worth per acre?

Mr. GIVEN. I gave the value of the Jefferson and Black Creek. It is about 4 cents a ton royalty for that, which would give you about $150 per acre for the Jefferson and Black Creek and about $550 for the Big seam or the Blue Creek seam, or about $700 or $800 total royalty value of all the coal. Then we have another body of land, 7,880 acres gross, of which 2,500 acres carry a seam of coal, identity undetermined, quality second-class steam, yielding 3,000 tons to the acre, or 7,500,000 tons gross total; value about 4 cents a ton royalty, or $120 an acre. Again, we have 6,000 acres, 3,600 of which carry a seam of coal, the same seam, second-class steam, 3,000 tons to the acre, or 10,800,000 tons total, about 4 cents a ton, or $120 an acre royalty value.

Mr. DANFORTH. What did you give as the value of the 2,500 acres noted above there?

Mr. GIVEN. About $120 royalty value.

Mr. DANFORTH. Are the last two the same?

Mr. GIVEN. The last two are the same.

Mr. DANFORTH. And are they in Alabama?

Mr. GIVEN. Yes, sir; all this property is in Alabama, except where otherwise noted—here at Whitwell and Tracy City, Tenn.

Mr. DANFORTH. All the rest is in Alabama?

Mr. GIVEN. Yes.

Mr. YOUNG. What rate of royalty did you put on this item of 55,112,000 tons?

Mr. DANFORTH. Seven or eight cents?

Mr. GIVEN. Yes, sir.

Mr. YOUNG. And on the 15,800,000 tons?

Mr. GIVEN. About 4 cents.

Mr. YOUNG. And the last item of 10,800 tons?

Mr. GIVEN. Four cents, or $120 an acre.

The CHAIRMAN. Is that the extent of it?

Mr. GIVEN. Those are all of the holdings of the Tennessee Co. at that time.

The CHAIRMAN. Now I will ask you, Mr. Given, to give the stenographer, some time to-day, or leave with the chairman of the committee to be placed in the hands of the stenographer to-morrow to accompany your evidence, a rough estimate of the total number of acres and the value per acre, and the number of tons, so as to give the grand total of this whole ore and coal field.

Mr. GIVEN. Yes, sir.

Mr. YOUNG. Do you mean its value on a royalty basis?

The CHAIRMAN. I mean so as to make a sum total.

Mr. GIVEN. Now let me ask for some information for guidance on that point. When you come to this iron-ore business, we have never considered the brown ores here at all, and that is something we can not fix a royalty on. There are some of these red ores here whose tonnage is estimated, and it would be hard and would not be just to fix an arbitrary price on that. There are lands up above Birmingham where we have given tonnage where you could not get anybody to go and take a contract at a fixed rate.

The CHAIRMAN. I am speaking of the high-grade ores and the coal.

Mr. GIVEN. I could do that; yes, sir. I will take pleasure in doing that and handing it in this evening.

Mr. YOUNG. What do we understand this to be, the royalty value, what you could get piecemeal, taking it out a ton at a time?

The CHAIRMAN. I was just going to suggest that I have only one other question to ask and then I will turn the witness over to you.

Mr. YOUNG. But the gentleman is going to make a table, and I want to know on what basis he is going to make it.

Mr. GIVEN. As I understand, it is to be on a royalty basis.

Mr. YOUNG. I want to know whether it is to be simply on a royalty basis, what you could get for it piecemeal as you mine it, or is it to be an estimate of its value to-day in cash?

The CHAIRMAN. He has stated he has estimated it on a royalty basis.

Mr. GIVEN. That would be the only value I would be competent to place on it. I am not a real estate man. This land holds a value aside from its value as a mineral property.

Mr. YOUNG. That is probably very slight.

Mr. GIVEN. No; I beg your pardon, it would be quite considerable, but I would not be competent to place any such value.

The CHAIRMAN. What do agricultural lands sell for in that region?

Mr. GIVEN. These lands would not be agricultural lands.

The CHAIRMAN. What do lands generally sell for in that region, exclusive of the mineral rights?

Mr. YOUNG. You mean lands similar to these with no minerals on them?

The CHAIRMAN. With the mineral right excluded. That is the way they sell them.

Mr. GIVEN. Yes. Some of this land would sell for $150 for a 50 by 150 lot.

Mr. LINDABURY. In Birmingham?

Mr. GIVEN. I wish I could buy some in Birmingham for that.

Mr. DANFORTH. What are they sold for at that price—for residential purposes?

Mr. GIVEN. Yes.

Mr. DANFORTH. Who would reside on those lands?

Mr. GIVEN. People working in the mines, a great many of them. I will tell you what I know myself. I opened the Reading mine in 1884. It now belongs to the Tennessee Coal, Iron & Railroad Co. That land was sold, as you will see here [indicating on plat]. The man who owned that land thought he was doing a big business to get $8 an acre for that old lot of rocks and hickory stumps. He

thought he was doing a big business to sell it to F. T. Hillman for $8 an acre. That land belonged to old man Billie Barksdale. I opened a mine there in 1884.

The CHAIRMAN. What is that land worth an acre now?

Mr. GIVEN. Well, it belongs to the Tennessee Co., and it has not got any value at all.

The CHAIRMAN. You mean it is not for sale.

Mr. GIVEN. You can not buy it. You can not buy anything those companies have. Their lands are all bonded and you can not get any quotation of value from them.

The CHAIRMAN. Can you give me a general idea of the value of lands there? For instance, I know the lands in my own country, around Henderson, outside of city lots, are worth, say, $100 an acre.

Mr. LINDABURY. But there is not any other country like your country.

Mr. DANFORTH. That is Blue Grass country?

The CHAIRMAN. No; that is not Blue Grass.

Mr. LINDABURY. I know it must be something as rich and fertile as its products.

The CHAIRMAN. I am not delivering any panegyric on Henderson or Henderson County land. I am just simply speaking of the fact. It is generally known what agricultural lands are worth. Everybody has an idea about that.

Mr. DANFORTH. That is for summer resorts down there in Henderson County?

Mr. GIVEN. Let me make this statement and you will understand better about the value of these lands. Understand that Red Mountain, per se, is a very small portion of the ore-bearing territory—that is, the territory carrying this red hematite ore. Shades Valley lies immediately to the south and southeast of Red Mountain. Now, there are places in that valley you could not buy an acre of the surface for $1,000.

Mr. LINDABURY. On account of the ore in it?

Mr. GIVEN. No, sir; it is used for residential purposes. There are very handsome villas overlooking Red Mountain, and Shades Valley is a continuation of Twentieth Street in Birmingham; and Shades Valley all the way down is thickly populated with truck farms, dairy farms, and bungalows. People go out there to have summer places. I have a summer place there myself, 7 miles out from Birmingham. I paid $1,500 for an acre there something like four years ago.

Mr. LINDABURY. How much ore is under it?

Mr. GIVEN. Something like 35,000 or 40,000 tons. I got a fee-simple title.

Mr. LINDABURY. 35,000 or 40,000 tons of red ore?

Mr. GIVEN. Yes.

Mr. YOUNG. How deep is that ore from the surface.

Mr. GIVEN. I do not know. I have never bothered my head about that, sir. Deeper than I want to know anything about.

Mr. YOUNG. Of course, you could not mine that 35,000 tons.

Mr. GIVEN. No, sir; I never intend to. I expect to live there and raise truck and chickens, and my wife and children go there and spend the summer. We get very good water to drink, and get out of Birmingham in the summer.

The CHAIRMAN. Can you form any idea or give a rough estimate about the value of the five or six hundred thousand acres they own, outside of its mineral value?

Mr. GIVEN. I would say that Shades Valley, which carries the dip of this Clinton ore outcropping on the top of Red Mountain, that valley from 15 miles northeast of Birmingham to 15 miles southwest of Birmingham is worth anywhere from $200 to $1,000 per acre, surface rights.

The CHAIRMAN. Over and above the value of the mineral rights.

Mr. GIVEN. Yes; the surface rights, exclusive of mineral rights. You can not buy the mineral rights from any of those companies.

The CHAIRMAN. How many acres does this company own in that valley?

Mr. GIVEN. I could not answer that question. I do not know what their acreage is in Shades Valley. A great deal of it is owned by other parties. The Woodward Co. owns a great deal of it.

The CHAIRMAN. Does the Tennessee Coal & Iron Co. sell the surface rights to this land?

Mr. GIVEN. The Tennessee Co. can not sell anything. All of their property is bonded and they can only exchange. They will swap with you. They will swap a forty here and there to round out a piece of property for you, as a matter of accommodation, or to accommodate themselves; but they do not sell anything outright.

The CHAIRMAN. There has been a great deal of evidence here about the facilities with which the coal and iron and limestone can be assembled there. How does this property compare in that respect with other coal-mining properties of the world?

Mr. GIVEN. Not being a citizen of the world, I have not traveled all over the world, and my activities have been confined principally to the United States of America. I do not know, and I have never read of any place. I try to read everything going on pertaining to my business. I do not know anything but railroads and mines. I have been at that business since I was a kid 21 years old, and that has been a good while ago. That is all I know about. I do not know of any place on God's green earth—if there is any such place I have never read of it—where they can get the material for making pig iron together as quickly, as cheaply, and as continuously as they can in Birmingham.

By continuously, I mean to say that the winters there are open. We have no closed season. We can work on Christmas Day and on the Fourth of July, and the man who can not make cheap iron in Birmingham ought to go out of business and stay out, because he need not go anywhere else.

Mr. DANFORTH. Mr. Given, you were talking about the cheapness of manufacturing. Do you know anything about the cost of making pig iron?

Mr. GIVEN. No, sir; I can not speak with authority, except so far as regards the raw material. I am not a furnace man, and I make no pretensions that way at all. I have made a study since my youth of civil and mining engineering. I have tried to learn that, and have tried to confine my knowledge to that branch of my profession which covers iron, coal, and kindred minerals, and that is all I have studied. I have no knowledge except theoretical knowledge of the construction or operation of blast furnaces. Of course, I am

bound to have absorbed a certain knowledge in regard to the cost of production.

Mr. DANFORTH. Do you know anything about the cost of labor down there—how it compares with other districts?

Mr. GIVEN. I would say that the cost of labor in the Birmingham district now is what it would be up here. Labor is scarce there.

Mr. DANFORTH. Has it increased in value?

Mr. GIVEN. Very greatly.

Mr. DANFORTH. In the last 10 years?

Mr. GIVEN. In the last 10 years.

Mr. DANFORTH. And in the last 15 years?

Mr. GIVEN. More greatly in the last 15 years.

Mr. DANFORTH. For instance, what would you say as to the cost of ordinary labor now as compared with what it was in 1895?

Mr. GIVEN. There is no comparison to be made, sir. You can not make any comparison.

Mr. DANFORTH. Well, is it three times or four times as much?

Mr. GIVEN. There was no value to labor in 1895. I was away from that district at that time. I left Birmingham in the spring of 1890 and came to Virginia to work for some Philadelphia people to take charge as chief engineer of construction and operation of a mining plant in Virginia. I was away from the district eight years as a resident, but I owned property there and went back, and I saw the conditions existing there, and I will state there was one furnace in the Birmingham district—this is hearsay, but I have no reason to doubt its accuracy—the Trussville furnace, now owned by the Southern Steel Co., was operated at that time by R. D. Smith and old man Eastman. Smith told me that he made iron there in 1893, 1894, and 1895, anywhere from $4 to $6 a ton. I asked him how he did it, and he said, "We paid the niggers from the commissary with watermelons and ginger cake—watermelons in the summer time and ginger cake in the winter." That was all the niggers got.

Mr. DANFORTH. They got no cash?

Mr. GIVEN. Well, as I say, that was the basis of iron making in those days from 1892 up to 1898, and that can not be considered in a comparison at all. They were impossible conditions, which will never exist there again.

Mr. DANFORTH. That same class of labor now gets paid in cash?

Mr. GIVEN. Yes, sir; they have to have the cash. Let me say that this is hearsay evidence and was an isolated case. It was none of the standard companies that did that. It was not the Tennessee people or the Sloss people or the Republic, and by all means not the Woodward Co., because there never has been a time since Woodward broke dirt there that he has never had money to pay his labor, and pay them well.

Mr. DANFORTH. What I am asking about is the average cost of labor in, we will say, 1895, as compared with the present time?

Mr. GIVEN. The price of labor in 1895 was whatever you wanted to give that labor. It was so in Virginia, because I was there. I saw men in Virginia whom I had paid $3 a day in 1891—in 1893 I have seen them come to my house and ask me for food, and I have gone with them to the store and given them a sack of flour, and they were glad to get 90-cents-a-day jobs.

Mr. DANFORTH. I do not refer to that particular time of Democratic prosperity, but we have some costs here as to making iron in the years 1895, 1896, and 1897.

Mr. GIVEN. I will say to you that those costs can not be considered to-day at all. You might just as well tear them up when you talk about the iron business of to-day.

Mr. DANFORTH. You sum it up by saying that labor in the Birmingham district in these furnaces is about the same now as you think the same class of labor would be in Pittsburg.

Mr. GIVEN. Yes, sir; practically. And I furthermore say, and I want to emphasize, that the cost of labor in the early nineties can by no means be considered as a standard of cost to-day in any way at all, sir. Labor there is more intelligent, and it is scarcer. It is a different class of labor altogether.

Mr. DANFORTH. Now, I want to have you tell us, if you know, what is the territory which the Tennessee Coal & Iron Co. and these other kindred companies in that district can serve; that is, what they can serve at a reasonable expense, and in what territory they can compete with the northern furnaces or what territory they have exclusively, so that the northern furnaces can not compete with them?

Mr. GIVEN. You mean with their furnace product, I take it?

Mr. DANFORTH. Yes; pig iron.

Mr. GIVEN. It seems to me that would depend altogether on the Interstate Commerce Commission?

Mr. DANFORTH. Yes; it would depend upon the freight cost.

Mr. GIVEN. They could meet them at the Ohio River easily enough.

Mr. DANFORTH. Even now?

Mr. GIVEN. I say, easily enough.

Mr. DANFORTH. Even now, paying the same wages?

Mr. GIVEN. Yes. I should judge so, as an outsider. I am not in the business, and I simply give that as an opinion and not as a statement of fact.

Mr. DANFORTH. As I understand it, you have spoken of this red ore on the Red Mountain as high-grade ore?

Mr. GIVEN. Yes.

Mr. DANFORTH. What do you mean by high-grade ore?

Mr. GIVEN. The best ore in the district of that kind.

Mr. DANFORTH. What is the iron metallic content?

Mr. GIVEN. Well, what is known as soft ore there, all above water level, from which the lime has been leeched, carrying no appreciable lime value, is considered a soft ore in the country there and is very scarce now. That will run from 49 to 52.50 metallic iron. That is the best grade of soft ore there.

Mr. DANFORTH. But you say that is practically gone?

Mr. GIVEN. Practically; yes. But, of course, there is some.

Mr. DANFORTH. What is the percentage of metallic content in the highest grade red ore of which you have an available and merchantable quantity?

Mr. GIVEN. That is the ore, carbonate of lime, the hard ore, as it is called.

Mr. DANFORTH. What would the percentage be in that?

Mr. GIVEN. The best that is mined in the district, the Sloss Co., at their mine down at Sloss, near Bessemer, and the mines at Oakman,

Ala., north of Attalla, make the best yield of any mines I know of on Red Mountain. The percentage is about 40 to 43 metallic iron, from 16 to 22 carbonate, and from 9 to 15 silica.

Mr. DANFORTH. You call that the best. What is the average on Red Mountain?

Mr. GIVEN. Well, I would place the average at about 32 to 36 metallic iron, 19 to 26 lime, and 12 to 16 silica.

Mr. DANFORTH. Now, as I understand it, the brown ore bears a higher percentage of metallic content.

Mr. GIVEN. Yes, sir; some of it.

Mr. DANFORTH. Some of the brown ore?

Mr. GIVEN. Yes.

Mr. DANFORTH. Well, is not the brown ore considered a more valuable ore than the red ore.

Mr. GIVEN. That is comparative just like the red ore; some of it is good, some of it is bad, and some of it is indifferent.

Mr. DANFORTH. Well, take the average.

Mr. GIVEN. There are different kinds of so-called brown ores in the Birmingham district. The ores lying in the Birmingham Valley to the southwest of Birmingham, down in Bibb and Tuscaloosa Counties—there are some very rich deposits of so-called brown ore or limnites. They lie there in very large pockets, and are very valuable. Some of that ore will analyze as high as 55 per cent metallic iron, selected bodies.

Mr. DANFORTH. When you speak of the Birmingham district, you include this brown-ore district in your estimate?

Mr. GIVEN. Yes, sir; I include everything that is or could be tributary to Birmingham, Talladega, and Clay Counties.

Mr. DANFORTH. These brown ores are located some distance from the Birmingham furnaces, are they not?

Mr. GIVEN. Twenty to 25 miles.

Mr. DANFORTH. What is the area of the district you call the "Birmingham district," north and south and east and west?

Mr. GIVEN. I would call the Birmingham district from the Cahaba coal fields, say, 60 miles south of Birmingham, up to Fort Payne, 100 miles northwest.

Mr. DANFORTH. That is, 160 miles, north and south?

Mr. GIVEN. Yes.

Mr. DANFORTH. And about how far, east and west?

Mr. GIVEN. From the Georgia State line on one side to the Mississippi State line on the other side—something like 300 miles across the State. We regard that as the Birmingham district, because Birmingham is the center.

Mr. DANFORTH. And that is all rich in ores?

Mr. GIVEN. No, sir; I do not say that. It is all ore-bearing and all coal-bearing. There are some very rich ore deposits on the eastern slope of the Blue Ridge Mountains.

Mr. DANFORTH. Now, take this field which you designate as the "Birmingham district," about what percentage did the Tennessee Coal & Iron Co. have of that area or of the iron ore in that district in 1907?

Mr. GIVEN. What percentage did the Tennessee Coal & Iron Co. own of the known area of the whole Birmingham district, do you mean?

Mr. DANFORTH. The available iron ore of the whole Birmingham district as you have just described it.

Mr. LINDABURY. Both red and brown?

Mr. DANFORTH. The iron ore, red and brown.

Mr. GIVEN. I should say from 50 to 60 per cent.

Mr. DANFORTH. Of the entire district?

Mr. GIVEN. Yes, sir.

Mr. DANFORTH. By whom was the rest of that ore owned in 1907?

Mr. GIVEN. It was owned by individuals to some extent, small companies; and the Alabama Consolidated Co. owned a good deal of brown ores over in east Alabama. They operated their furnaces at Oronton and at Gadsden.

Mr. DANFORTH. Did I understand you to say in reply to a question of the chairman that there was no available ore for an individual or a new corportion which wanted to set up in business there making pig iron?

Mr. GIVEN. I say that as far as to the red ore now known to exist, there is none that could be bought.

Mr. YOUNG. That is land could not be bought.

Mr. GIVEN. The land could not be bought.

Mr. DANFORTH. But you can go into the market and buy the ore from the company that owns the land?

Mr. GIVEN. I presume you could buy from the Tennessee Coal & Iron Co. There is one company operating Mr. Steinman's land, the Clinton Mining Co. I understand they sell their product to the Tennessee Co.

Mr. DANFORTH. To the Tennessee Coal & Iron Co.?

Mr. GIVEN. Yes.

The CHAIRMAN. I want to say that the United States Steel Corporation does not sell ore.

Mr. GIVEN. I had not finished. I was going to say that the policy of the Tennessee Coal & Iron Co. and the policy of all standard companies that I have ever been acquainted with is to conserve their ore supply whenever they could buy ore in the open market at a reasonable price. That has always been the custom of every concern I have ever known or had any dealings with.

Mr. DANFORTH. Suppose I wanted to set up a furnace down there, could I not buy from Mr. Steinman or whoever operates Mr. Steinman's land? Could I not buy that iron ore to serve my furnace?

Mr. GIVEN. I could not answer about the contract the people have there. I know they mine for the market. Whether their product is sold in advance or not, I do not know.

Mr. DANFORTH. Mr. Perin testified a man could buy the ore.

Mr. GIVEN. Well, I am not prepared to say whether he could or not.

Mr. DANFORTH. I did not know whether you had better information than Mr. Perin has or not.

The CHAIRMAN. Mr. Perin testified he thought there was about 2½ per cent of that ore which was still subject to purchase.

Mr. GIVEN. Oh, I will qualify that statement and say that I know of some red ore which is undeveloped; a small vein, which is accessible to Birmingham. It would be a little expensive to reach and would cost a little to market, but the cost of operation would not be prohibitive. A man could go there and buy that from the owner. It is owned by a private individual living near Trussville. This

party owns several hundred acres of some very high grade soft red ore, a very thin seam; but that is just a drop in the bucket. That is just one instance.

The CHAIRMAN. Is there enough of that ore there now to justify any company like the Sloss-Sheffield, the Tennessee Coal & Iron Co., the United States Steel Corporation, or the Republic Iron & Steel Co. at this time setting up such a plant as they now have and going into competition with those people? Is there enough reserve ore there to justify that?

Mr. GIVEN. No; not enough which has been developed and proven up.

Mr. DANFORTH. As an engineer, do you know of tracts of mineral land that could be developed so they could go in the business in competition with these companies mentioned by the chairman?

Mr. GIVEN. Well, I know of tracts that hold possibilities.

Mr. DANFORTH. We are not going in the market, but we are simply asking for information.

Mr. GIVEN. I understand that, and I want to be very careful in giving my replies. I do not want to be misleading. I am at liberty to say that there are fields there that are very promising. I am investigating some right now. I do not know what the result of these investigations will be. If they amount to anything at all, it will add considerable tonnage of available ore.

Mr. DANFORTH. How are you investigating these lands, by boring?

Mr. GIVEN. I am having them prospected according to my own method to satisfy myself about it.

Mr. DANFORTH. Now, to revert to this examination you made of these ore lands in 1904, I understood you to say there were very few borings at that time and that your committee made none.

Mr. GIVEN. Our committee made none; no, sir.

Mr. DANFORTH. And there were very few borings?

Mr. GIVEN. Very few that we had access to.

Mr. DANFORTH. You made up your estimates from a superficial examination, a surface examination, of the land and the data you received from the officers of these three corporations?

Mr. GIVEN. I did not; no, sir. I arrived at my conclusion from careful examination of the faces, all workings, and, as I stated, from the knowledge I had acquired in the pursuit of my profession and investigations, which I have made for other people, knowing the habits of these different bodies of minerals and how they would likely be. I would know where the faults were, and things of that kind.

Mr. DANFORTH. But you could not always tell about a fault.

Mr. GIVEN. No.

Mr. DANFORTH. It might be submerged entirely?

Mr. GIVEN. I could not always tell, of course.

Mr. DANFORTH. You took general results according to the observation you had made in the last 20 or 30 years of your practical workings?

Mr. GIVEN. Yes, sir.

Mr. DANFORTH. And the others did not have any more information than you had?

Mr. GIVEN. No; not that they said anything about.

Mr. DANFORTH. I mean the others on your committee of five.

Mr. GIVEN. No.

Mr. DANFORTH. How was that committee divided up? I think Mr. Perin stated that this morning, but I am not certain I got it correctly. Whom did you gentlemen represent?

Mr. GIVEN. T. H. Aldrich represented the Tennessee Coal, Iron & Railroad Co.; Mr. Moore and Mr. Worthington represented the Sloss-Sheffield Co.; and Mr. Perin and myself represented the Republic Iron & Steel Co.

Mr. DANFORTH. What was the purpose of your examination?

Mr. GIVEN. Well, I do not know what the purpose was, except to give them this report. I did not ask any questions about it and I did not want to know, because I did not want to have to make any answers about it. I never do. They sent for me and employed me. They said they wanted this work done, and I went and did it and got my money.

Mr. DANFORTH. Did you have access to this map which Mr. Perin had this morning?

Mr. GIVEN. Yes.

Mr. DANFORTH. Do you know what that map was made for?

Mr. GIVEN. To show the different holdings.

Mr. DANFORTH. And I suppose, as far as you know, it was accurate at the time it was made?

Mr. GIVEN. Yes; it was made in the office of the Tennessee Coal, Iron & Railroad Co. by their engineers.

Mr. DANFORTH. Did Mr. Perin mention the year it was made?

Mr. GIVEN. In 1904, the maps we used there, which were made for our committee.

Mr. DANFORTH. I mean the map which he exhibited this morning.

Mr. GIVEN. I take it for granted that is one of the same maps. The engineers of the Tennessee Co. made those maps and colored them.

Mr. DANFORTH. Do you happen to know the present rate of consumption of coal in that district?

Mr. GIVEN. I do not.

Mr. DANFORTH. You do not know what the annual tonnage is?

Mr. GIVEN. The output?

Mr. DANFORTH. Yes.

Mr. GIVEN. Something like 16,000,000 tons.

Mr. DANFORTH. And in this large coal district that you have described, how many tons are there, in round numbers?

Mr. GIVEN. I have never computed the tonnage of the entire district, sir. Do you mean the holdings of these companies?

Mr. DANFORTH. Well, take the Tennessee Co. We will confine ourselves to the Tennessee Coal & Iron Co.

Mr. GIVEN. I can tell that. I thought you meant the entire Birmingham district.

Mr. DANFORTH. You have got it here as 1,623,000,000 tons. Do you know what the annual output of the Tennessee Coal & Iron Co. is?

Mr. GIVEN. No, sir; I do not.

Mr. DANFORTH. You think the total output for that district is 16,000,000?

Mr. GIVEN. Between fifteen and sixteen millions.

Mr. DANFORTH. So that their supply alone would last for 100 years at the present rate?

Mr. GIVEN. Yes.

Mr. DANFORTH. Now, suppose they were in the market and were going to lease some of their coal holdings on a royalty, and they got around to the ninety-ninth year on some of this land, what would be a fair royalty on the figures you have put down here?

Mr. GIVEN. I gave the figures to the best of my ability as a fair valuation.

Mr. DANFORTH. At the present time?

Mr. GIVEN. Yes.

Mr. DANFORTH. That is supposing the land was going to be worked presently?

Mr. GIVEN. Yes. It is impossible to forecast what their value would be in 25 years.

Mr. DANFORTH. But it is absolutely possible to forecast what the compound interest would be on the investment in the next 25 years?

Mr. GIVEN. Yes, sir.

Mr. DANFORTH. That would be a known quantity?

Mr. GIVEN. Yes.

Mr. DANFORTH. But you have to guess at the rest?

Mr. GIVEN. Yes.

Mr. DANFORTH. If they supplied the entire demand of that district for the next hundred years, they would just about use up their present supply, if the demand continued equal to what it is now?

Mr. GIVEN. Yes.

Mr. DANFORTH. Well, I think we can make some figures from that. I guess that is all I have to ask you.

Mr. YOUNG. Mr. Given, I suppose you would not want to make a computation for us, would you, based on the figures you have given as the royalty value, and assuming that the demand remains the same, assuming it would take 100 years to mine out the ore of the Tennessee Coal & Iron Co., and determine what amount of cash would amount to the same as this royalty scattered through 100 years?

Mr. DANFORTH. That is, what would be the present equivalent?

Mr. GIVEN. That would be a problem in what—differential or integru?

Mr. DANFORTH. You have no idea what the percentage of output is in this 16,000,000, have you? You do not know what proportion of that is the output of the Tennessee Coal & Iron Co.?

Mr. GIVEN. No, sir; I do not. I could tell by having recourse to my data at home, but I do not carry that in my mind at all.

Mr. DANFORTH. That 16,000,000 tons is the supply furnished all the furnaces there?

Mr. GIVEN. That is the output of the entire Birmingham district, or the State of Alabama.

Mr. DANFORTH. For all purposes, steaming, coking, and domestic purposes?

Mr. GIVEN. That is everything mined in the State.

Mr. DANFORTH. And I suppose you include the supply furnished the railroads under the head of domestic purposes?

Mr. GIVEN. Under the head of steam.

Mr. LINDABURY. From one point of view it would be a question of the value to-day of 7 cents, payable 50 years from now.

Mr. GIVEN. Yes; with interest; and whether it would be compounded or not would have to be decided.

Mr. YOUNG. Mr. Given, have you formed any estimate of the total amount of available ore in what you describe as the Birmingham district, beginning 60 miles south and going to the point north which you have described?

Mr. GIVEN. No, sir; I have never done that. That is too vast a thing to tackle unless there is some money in it.

Mr. YOUNG. It would be vastly more than the amount you found belonging to these three companies?

Mr. GIVEN. Naturally so.

Mr. YOUNG. And could you form anything like an estimate of what proportion of that total amount was owned by the Tennessee Coal & Iron Co.?

Mr. GIVEN. In 1907? I gave my answer to that; from 50 to 60 per cent.

Mr. YOUNG. But that was based on the small districts you examined, was it not?

Mr. GIVEN. No, sir; I beg your pardon; that was made in reply to the gentleman's question as to the entire known area that I was conversant with.

Mr. YOUNG. That did not include any of these titanics.

Mr. GIVEN. I was going to say that whatever the future may hold for Alabama is an unknown quantity absolutely. As far as the ore supply is concerned, you can not determine it.

Mr. YOUNG. Is it not true that you are continually finding new deposits of ore there?

Mr. GIVEN. As I stated, it is only a question of when the chemists shall have removed this titanic acid trouble in these gray ores when they will all come in on the eastern slope of the Blue Ridge Mountains.

Mr. YOUNG. Are you not from time to time finding other deposits of ore?

Mr. GIVEN. Yes, sir; that is why I say it would be childish and absurd to make any definite statement as to the amount of ore that will ever be utilized in the State of Alabama or anywhere else.

Mr. YOUNG. Mr. Lindabury wishes me to ask you how you can arrive at this basis of 50 or 60 per cent when you have no idea of the total amount of ore that is naturally there?

Mr. GIVEN. I was calculating from my general knowledge of the district at large at that time. I do not give that 50 or 60 per cent as anything except an estimate. There are no figures back of that.

Mr. LINDABURY. What is your estimate of the total?

The CHAIRMAN. I will have to ask the members of the committee to conduct the examination.

Mr. YOUNG. I will ask the question as I started out on that line. Could you make any estimate at all of the total amount of ore in that district which is available?

Mr. GIVEN. Not without making some calculations. I would have to make some calculations and examinations.

Mr. YOUNG. But you say it would be a very large amount?

Mr. GIVEN. A very large amount; yes, sir.

Mr. YOUNG. Several billions of tons?

Mr. GIVEN. Yes, sir; billions?

Mr. YOUNG. Yes; in the total district.

Mr. GIVEN. I am not prepared to say that. Billions or a good many millions, and that is a whole lot of figures. I will not say several billions. That is a word you frequently use to suggest the inexhaustible, and there is nothing but what is exhaustible.

Mr. DANFORTH. Give us some estimate of it.

Mr. GIVEN. I say I am not prepared to give an estimate. My estimate of 50 or 60 per cent was merely an offhand guess from shutting my eyes and seeing the district in my mind's eye. To give an estimate of it that would be really of value, I would have to make examinations and make some calculations, and anyone else would.

Mr. DANFORTH. You do not know what the Tennessee Coal & Iron Co. was consuming in 1907 in the way of ores?

Mr. GIVEN. No; I do not.

Mr. DANFORTH. And you do not know what the total oreage of this territory was at that time—merchantable ores?

Mr. GIVEN. No.

The CHAIRMAN. Mr. Given, let me see if I understand you correctly. You speak of the titanic ores and other ores that are not worked and can not be worked now, ores containing titanic acid and other things.

Mr. GIVEN. Titanic ores can not be worked.

The CHAIRMAN. That is an absolute bar until science discovers some way to make it available?

Mr. GIVEN. Yes.

The CHAIRMAN. Do you know of any discovery which has made it available?

Mr. GIVEN. I have never heard of any.

The CHAIRMAN. You hope some time some discovery will be made so you will be able to utilize what is now worthless?

Mr. GIVEN. I think it will be done. I think it is a question of time.

Mr. YOUNG. It is being done now, only it is a question of cost. Titanic acid is being taken out right along.

Mr. GIVEN. I mean in a feasible way.

The CHAIRMAN. It is not being done in a practical way?

Mr. GIVEN. No.

The CHAIRMAN. And you can not use that ore now?

Mr. GIVEN. No.

The CHAIRMAN. All the ore you can use now, or practically you can use, with the exception of 2 or 3 per cent, in this vast region, 100 miles one way and 150 miles the other, is out of the market and in the hands of vast concerns who are engaged in the iron business?

Mr. GIVEN. Yes.

Mr. YOUNG. And 50 or 60 per cent of that available ore you think is owned by the Tennessee Coal & Iron Co.?

Mr. GIVEN. Yes.

The CHAIRMAN. In other words, the Tennessee Coal & Iron Co. holds the greater part of these holdings, all of which are out of the market with the exception of 2 or 3 per cent?

Mr. DANFORTH. No; he said 50 or 60 per cent. He has said that two or three times.

The CHAIRMAN. 50 or 60 per cent of what?

Mr. DANFORTH. Of the available ores.

The CHAIRMAN. He said the Tennessee Coal & Iron Co. holds 50 or 60 per cent of the available ore, but I understood him to say that these——

Mr. DANFORTH (interposing). These vast corporations, you have said.

The CHAIRMAN. I will leave that out, if you object.

Mr. DANFORTH. I do not object. I think it is picturesque.

The CHAIRMAN. I do not mean to be picturesque; I mean to be accurate. Is the Republic Iron & Steel Co. a large corporation, Mr. Given?

Mr. GIVEN. Yes.

The CHAIRMAN. Capitalized at many million dollars?

Mr. GIVEN. I do not know what its capitalization is.

The CHAIRMAN. Do you know anything about the Sloss-Sheffield Co.? Is that a large or small concern?

Mr. GIVEN. They own large properties.

The CHAIRMAN. Now, what percentage of this ore, extending 100 miles one way and 150 miles the other, in round numbers, is held by concerns holding large properties and what percentage is held by individuals who are ready to sell to Tom, Dick, and Harry?

Mr. GIVEN. There is only a very insignificant percentage that is on the market. I know of only one or two pieces of ore which I mentioned just now.

The CHAIRMAN. And is that held in little patches scattered around here and there all over the region?

Mr. GIVEN. No; there are 300 or 400 acres in some of those tracts.

The CHAIRMAN. Well, they are little 200 or 300 tracts?

Mr. GIVEN. Yes.

Mr. YOUNG. Are all of these iron and steel companies at Birmingham and that vicinity working now to their full strength?

Mr. GIVEN. I think not.

Mr. YOUNG. The demand is not great enough to keep them all at work?

Mr. GIVEN. No, sir.

Mr. YOUNG. There would not be very much inducement for any new concern to go into Birmingham and build any new works, would there?

Mr. GIVEN. No, sir; none at all.

The CHAIRMAN. Mr. Given, you were asked something about labor conditions down there. What class of labor does the mining for the Tennessee Coal & Iron Co. and these other concerns there?

Mr. GIVEN. They use any labor they can get.

The CHAIRMAN. Where does most of it come from?

Mr. GIVEN. From the world at large. They get it from every quarter of the globe.

The CHAIRMAN. Is any percentage of it convict labor?

Mr. GIVEN. They use some convicts. The Tennessee Coal & Iron Co. own some convict labor. I do not know what percentage of their labor force is convict labor.

The CHAIRMAN. Now, explain that condition. When those convicts serve out their time, do they go away or remain there?

Mr. GIVEN. A great majority of them, about 95 per cent, remain right there.

The CHAIRMAN. Is that highly paid labor? What are they paid per day?

Mr. GIVEN. You mean as free men?

The CHAIRMAN. I mean what are they paid a day as convict laborers?

Mr. GIVEN. I do not know.

The CHAIRMAN. Do you know what they get after they get their stripes off?

Mr. GIVEN. After he gets his stripes off he is a free man.

The CHAIRMAN. And what does he get then?

Mr. GIVEN. He gets paid whatever he can earn—so much a ton.

The CHAIRMAN. Do they pay by the ton?

Mr. GIVEN. By the ton or by the foot.

The CHAIRMAN. Do you know what it amounts to per day?

Mr. GIVEN. From $2 up to $6 or $7 a day. It depends on the man.

The CHAIRMAN. That is all, Mr. Given.

STATEMENT OF MR. WALTER MOORE.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Mr. Moore, where do you live?

Mr. MOORE. Birmingham.

The CHAIRMAN. Have you ever been engaged in the coal and iron business?

Mr. MOORE. Yes, sir.

The CHAIRMAN. You are one of the signers of this report?

Mr. MOORE. Yes, sir.

The CHAIRMAN. You have heard the estimates as to the royalties given by Mr. Given. Do you think those estimates are fairly accurate?

Mr. MOORE. I could not hear him very well, and I did not understand them.

The CHAIRMAN. Well, what are the royalties paid on the best class of coal lands—how much royalty per ton?

Mr. MOORE. The royalties in our district are from 7 to 10 cents a ton. That is the prevailing custom.

The CHAIRMAN. Little sells for less than 7 or more than 10?

Mr. MOORE. No.

The CHAIRMAN. Mr. Given has testified here that this Birmingham district extends about 100 miles north and south, and 150 miles east and west, or vice versa. Now, what are agricultural lands worth in that area over and above the metal rights—simply the surface rights?

Mr. MOORE. It will vary in different counties, of course.

The CHAIRMAN. But you live in that country.

Mr. MOORE. It will vary from $10 to $50 per acre.

The CHAIRMAN. You have lived in that country all your life?

Mr. MOORE. Yes.

The CHAIRMAN. And you are acquainted with that country and have been all over it?

Mr. MOORE. Yes, sir; I have prospected that entire country.

The CHAIRMAN. What would be a fair valuation for the surface rights of that region, on an average, outside of the city of Birmingham?

Mr. YOUNG. What region?

The CHAIRMAN. This Birmingham district extending 100 miles one way and 150 miles the other?

Mr. MOORE. I would not know exactly how to average for the 100 miles, but taking it by counties I could give you an estimate.

The CHAIRMAN. Well, take it by counties.

Mr. MOORE. Take it in Jefferson County, it would be very much more valuable than the other lands, running from $25 to $4,000 an acre.

The CHAIRMAN. $25 to $4,000 per acre?

Mr. MOORE. Yes, sir.

The CHAIRMAN. How many acres do they own in Jefferson County?

Mr. MOORE. That I do not know.

The CHAIRMAN. Does the report show?

Mr. MOORE. I do not think the report would show the acreage in Jefferson County or in any one of the counties.

The CHAIRMAN. Mr. Perin, do you know whether this report shows the acreage in the different counties?

Mr. PERIN. I think it does. If no other county is mentioned, Jefferson County is understood. If it is outside of Jefferson County, the other county is given.

The CHAIRMAN. Do you know, approximately, how many acres are held by the Tennessee Coal & Iron Co. in Jefferson County?

Mr. PERIN. I think I can calculate that from this report. I could not say offhand. It is a very large proportion.

The CHAIRMAN. I will ask you to take the report and calculate it for us.

Mr. MOORE. You understand we were getting up data covering the mineral properties, and you are now asking about surface properties?

The CHAIRMAN. What I am trying to ascertain, Mr. Moore, is the value of the land, excluding the mineral rights. The experts have testified that their valuations are based entirely upon the mineral rights, just as if the surface rights were not owned.

Mr. MOORE. The value of the surface rights of the lands of the companies that we signed this report for, in Jefferson County, would be worth from $25 to as high as $4,000 per acre. They have land in the city of Birmingham, and I presume that is worth more than that per acre.

The CHAIRMAN. Do you know about how many acres of land this concern owns in and around the city of Birmingham?

Mr. MOORE. What concern?

The CHAIRMAN. The Tennessee Coal & Iron Co.

Mr. MOORE. No; but they own vast acreages.

The CHAIRMAN. Outside of the city of Birmingham and the immediate environments of Birmingham, what is the land worth per acre, exclusive of the mineral rights?

Mr. MOORE. In Walker County from $10 to $25 an acre.

The CHAIRMAN. And in the other counties?

Mr. MOORE. Possibly about the same in Fayette, Blount, Cullman, Tuscaloosa, and Shelby Counties.

The CHAIRMAN. It is worth from $10 to $25?

Mr. MOORE. $10 to $50. It is some very valuable agricultural land.

The CHAIRMAN. Would an average valuation of $25 be fair?

Mr. MOORE. $25 would be a fair average for Shelby, Tuscaloosa, and Walker Counties, and $20 for Fayette and Cullman.

The CHAIRMAN. I see from this report that in Walker, Marion, and Fayette Counties they have 76,000 acres of land?

Mr. YOUNG. Do you mean the Tennessee Coal & Iron Co.?

The CHAIRMAN. Yes. What would be the average value of the lands there, outside of the city of Birmingham?

Mr. MOORE. The average I gave you a little while ago, $25 per acre.

The CHAIRMAN. In Jefferson County they have 79,000 acres. Did you give us the average for Jefferson County?

Mr. MOORE. Yes; I gave the average for Jefferson.

The CHAIRMAN. Was this a unanimous report?

Mr. MOORE. Yes, sir.

The CHAIRMAN. Could you give us approximately the acreage around the environments of Birmingham owned by this company. I do not want it definitely, but I just want your estimate of it.

Mr. MOORE. You mean in the immediate vicinity and tributary to their operating plants?

The CHAIRMAN. Yes; I mean how many acres of land do they own which is worth exceeding, say, $500 an acre for the surface rights and exclusive of the mineral rights.

Mr. MOORE. Two thousand acres, I should say.

Mr. DANFORTH. What figures did you give, Mr. Moore?

Mr. MOORE. A couple of thousand acres. You are asking within the borders of the city of Birmingham?

The CHAIRMAN. Yes. Mr. Moore, you assisted in making this report?

Mr. MOORE. Yes, sir.

The CHAIRMAN. And you unanimously agreed to it?

Mr. MOORE. Yes, sir.

Mr. YOUNG. Mr. Moore, I suppose you and those who acted with you made the best estimate you could with the means you had at command, did you not?

Mr. MOORE. Yes, sir; we did.

Mr. YOUNG. You would not claim that was an accurate statement. You did not have the means to make an accurate statement, did you?

Mr. MOORE. I do not think the report claims it to be an absolutely accurate statement.

Mr. YOUNG. I think you are right about that. Now, a great many things interfere, do they not, in any mining district to throw calculations out as to the amount of ore, unless you have actually drilled it, cross drilled it, and followed it in every direction with drills?

Mr. MOORE. There was no surface indication that would indicate any disturbance whatever on the land we gave estimates on for tonnage.

Mr. YOUNG. None on the surface?

Mr. MOORE. None that we could discover.

Mr. YOUNG. Still it runs up the side of a mountain, does it not?

Mr. MOORE. It outcrops on the side of the mountain.

Mr. YOUNG. So there had been a disturbance there, either of the crushing together of the earth and throwing it up in the center, or something of that sort?

Mr. MOORE. Evidently, or it could not have been there.

Mr. YOUNG. There had been quite a geological disturbance there at some time, had there not?

Mr. MOORE. Well, there had to be, or it could not have appeared there.

Mr. YOUNG. So that these lower layers of the earth had been thrown to the top several thousand feet, or as Mr. Perin estimated it, 3,000 feet; is not that correct?

Mr. MOORE. I do not know how many thousand feet it was thrown, sir.

Mr. YOUNG. But you have now lying on each side of this mountain strata which are of very different ages, one of which bears the iron ore very much older than the one which bears the coal.

Mr. MOORE. Yes, sir.

Mr. YOUNG. Now, in calculating the amount of ore on a 40-acre piece of land it would depend very largely, for instance, on the dip of the vein how much was on that 40 acres?

Mr. MOORE. Yes, sir.

Mr. YOUNG. If it lay flat, assuming that the vein was of a continuous thickness, it would have a great deal more than if it dipped 30 or 40 degrees?

Mr. MOORE. It would have more if it dipped 30 or 40 degrees.

Mr. YOUNG. Yes; I put it the wrong way. You all had to guess at these things, and you had no drillings?

Mr. MOORE. Well, I do not know whether you would call it guessing or not. We had at hand the information of all the experts that had ever prospected that country, together with our own knowledge, to show very clearly that the coal pitched here on this side of the mountain and appeared across the valley on the other side.

Mr. YOUNG. I am speaking of the ores.

Mr. MOORE. I am speaking of the ores. I should have said ores.

Mr. YOUNG. But all this information, except what you had from drillings and from working mines, actually came from one source, did it not, the guesses—or estimates, if you like that word better—of engineers, not one of whom had seen this ore, not one of whom had drilled it, but simply were estimating from geological appearance of the land?

Mr. MOORE. No; not in my case.

Mr. YOUNG. What else did you have?

Mr. MOORE. We had the outcrop here [indicating] and the bore holes between this and the outcrop across the basin.

Mr. YOUNG. Yes; but the statement of the other witness has been that there were very few drill holes at that time?

Mr. MOORE. There were.

Mr. YOUNG. Well, you certainly did not have any more than there were. You mean you had what drill holes were furnished.

Mr. MOORE. Sure. We did not do any drilling.

Mr. YOUNG. You had simply what was furnished you, and as to the rest of it you either had to guess or to estimate it?

Mr. MOORE. Well, we had to estimate where we did not have the drill holes. But we had the outcropping at this end and over there, say [indicating], and there, and the drill holes running in above the openings.

Mr. YOUNG. I am not claiming, Mr. Moore, but what your estimate is of value, but all estimates made in that way are subject to grave errors, are they not, when made by the best men and the best experts?

Mr. MOORE. Yes; I think mistakes can be made in estimates.

Mr. YOUNG. Do you know this Mr. Phillips, a report of whose has been referred to here on the cost of making iron?

Mr. MOORE. Yes, sir; I knew him.

Mr. YOUNG. He was working for the Tennessee Coal & Iron Co.?

Mr. MOORE. He worked for the Tennessee Coal & Iron Co. a while, and then he was, possibly, running a laboratory of his own at the same time and working for different people.

Mr. YOUNG. In what capacity was he working for the Tennessee Coal & Iron Co.?

Mr. MOORE. Well, I do not know what his title was, to be frank with you.

Mr. YOUNG. Do you know what he did?

Mr. MOORE. He was the geologist and chemist. I think he did both.

Mr. YOUNG. Is he still employed by them?

Mr. MOORE. No, sir; I think not.

Mr. YOUNG. Do you know how long ago he left their employment?

Mr. MOORE. Oh, quite a number of years ago.

Mr. YOUNG. Do you know how he happened to leave?

Mr. MOORE. No, sir.

Mr. YOUNG. He was not a practical furnace man then. He was a chemist?

Mr. MOORE. I could not say. I do not know whether he was a practical furnace man or not.

Mr. YOUNG. But you know his work was that of a chemist?

Mr. MOORE. He was with the Tennessee Coal & Iron Co. at the time I was in the iron and coal business. I was in the iron business myself, but I do not know whether he had charge of the practical end of it or not.

Mr. YOUNG. In what capacity are you engaged?

Mr. MOORE. I am in the mining business.

Mr. YOUNG. So you are a practical miner, are you?

Mr. MOORE. Yes, sir; I am called that.

Mr. YOUNG. How long have you been in that business?

Mr. MOORE. On my own account?

Mr. YOUNG. No; I mean how long an experience have you had?

Mr. MOORE. About 27 years.

Mr. YOUNG. Are you now mining on your own account?

Mr. MOORE. Yes, sir.

Mr. YOUNG. What is the name of your concern?

Mr. MOORE. The El Dorado Coal Co.

Mr. YOUNG. Is it a corporation?

Mr. MOORE. Yes, sir.

Mr. YOUNG. What position do you occupy?

Mr. MOORE. I am president of the company.

Mr. YOUNG. How much coal land does that company hold there?

Mr. MOORE. About 2,500 acres.

Mr. YOUNG. Are there other independent holdings there?

Mr. MOORE. Yes, sir.

Mr. YOUNG. You are mining coal for the market?

Mr. MOORE. Yes, sir.

Mr. YOUNG. And what other concerns are engaged in the business of mining coal to sell in that district?

Mr. MOORE. Well, I could not possibly enumerate them. There are something like 50 or 60 corporations mining coal there.

Mr. YOUNG. Fifty or sixty corporation who are mining coal to sell?

Mr. MOORE. Yes, sir.

Mr. YOUNG. Do you know what the total output is of what we might call merchant miners?

Mr. MOORE. No; I do not. What you would call independent operators, independent of even the larger concerns?

Mr. YOUNG. Yes.

Mr. MOORE. It would be about 6,000,000 or 7,000,000 tons annually.

Mr. YOUNG. Are you mining all you have a market for?

Mr. MOORE. Yes, sir.

Mr. YOUNG. You could mine considerably more if you had the market?

Mr. MOORE. Yes, sir. We mined about the limit of our capacity last year.

Mr. YOUNG. That is, you mean your concern mined about the limit of its capacity?

Mr. MOORE. No; the district. I am not speaking of my concern, because it is a small concern.

Mr. YOUNG. Could you form an estimate of about what proportion of the entire iron ore of the Birmingham district is owned by the Tennessee Coal & Iron Co. or leased or controlled by them?

Mr. MOORE. The entire district?

Mr. YOUNG. Yes; the entire district tributary to Birmingham.

Mr. MOORE. That is, the red ore?

Mr. YOUNG. Red and brown ore; the whole thing, tributary to Birmingham.

Mr. MOORE. Sixty to sixty-five per cent.

Mr. YOUNG. That is all.

STATEMENT OF MR. CHARLES PAGE PERIN—Continued.

Mr. YOUNG. Mr. Perin, you were asked a question as to what proportion of the ores in a certain portion of this Birmingham district was owned by the Tennessee Coal & Iron Co., and your answer was about 70 per cent. What would you say as to what proportion of the total available ores, tributary to Birmingham, is owned by this company, if you can form an estimate?

Mr. PERIN. When you say "tributary," how many miles would you include?

Mr. YOUNG. That is a practical question, is it not?

Mr. PERIN. It varies with the price of pig iron, more or less, just as I suppose your northern movement south would be determined.

Mr. YOUNG. Very true; but I refer to that which would naturally come there?

Mr. PERIN. Well, there is no movement of red ore into Birmingham that could compete with the near-by local ores. The brown ores, however, will come from a total distance of perhaps 120 miles.

Mr. YOUNG. What proportion of the ores tributary to Birmingham and, in addition, the ores in the same general district south, that district which would be tributary to points south from there and which belong in the same general geologic section, would you say are owned or controlled by the Tennessee Coal & Iron Co.?

Mr. PERIN. You know there is a large area of silurian measures overlaid with drift below Birmingham. Drillings have been made there. I can not say as to the total tonnage. Mr. Aldrich would have been better able to advise you, because he is more familiar with the development since this study was made. There are additional ore supplies there, but they are not capable of competing in the present market; they can not be produced cheaply enough on account of the shafting; that is, to the south of Birmingham. There may be a considerable tonnage which would reduce the total of the Tennessee Coal & Iron Co.—just what I can not say. I have not kept up with the more recent developments.

Mr. YOUNG. The only thing that renders that disadvantage is that it lies under this drift?

Mr. PERIN. The increased cost of mining and the increased cost of transportation.

Mr. YOUNG. Is there any coal in that vicinity?

Mr. PERIN. Not to the eastward of the Alabama, Great Southern Line. There is an ore deposit in the main direction of Red Mountain of about the same quality as the Clinton ores. I am informed that it carries a little more iron than the ores in the immediate vicinity of Birmingham.

Mr. YOUNG. That would to some extent make up the difference?

Mr. PERIN. The difference in the increased cost of mining.

Mr. YOUNG. Is this drift difficult to get through?

Mr. PERIN. There has been more or less difficulty in getting a drill hole down.

Mr. YOUNG. Is it wet?

Mr. PERIN. There are large reservoirs of water in the drift, and that makes shaft sinking very costly—no more, however, than you have in the Marquette region or in the Cleveland Cliffs country.

Mr. YOUNG. How deep do these ores lie?

Mr. PERIN. The only holes I have any accurate knowledge of would require a shaft of 1,500 feet. Possibly farther south you would have to go 2,000 feet. A large portion of it would be through loose material.

Mr. YOUNG. We are going a thousand feet deeper than that in the Marquette region at certain points.

I presume you are somewhat familiar, in a general way, with the great ore deposits of this country and of the world at large, are you not? In your business you have had to study that subject some?

Mr. PERIN. Cuba, India, Siberia, and England; and I am slightly familiar with those of Sweden.

Mr. YOUNG. You are familiar with the deposits of Cuba?

Mr. PERIN. Yes, sir.

Mr. YOUNG. On the north shore?

Mr. PERIN. Yes, sir.

Mr. YOUNG. What would you say of those deposits?

Mr. PERIN. I had direction of a survey and was a member of a company which took up 150,000,000 tons on the north shore of Cuba.

within 3 miles of a harbor. Those are very important deposits, which will ultimately figure in the iron consumption of this country.

Mr. YOUNG. The Geological Survey about two years ago estimated that there was at least a billion and a half tons on the north shore of Cuba, and since then there have been a great many discoveries. Could you give any estimate of the amount of ore that there is over there—I mean, the ore that is known to exist?

Mr. PERIN. There the ore is very accurately determined, or can be, by an ordinary auger hole. It is not marketable in its present state. They have drilled over the ore owned by the Pennsylvania Steel Co., and I think they claim in the neighborhood of a thousand million tons. Then there are the holdings of the Moa Bay Iron Co. of about one hundred and sixty or one hundred and seventy millions. I am speaking now of the north shore. The Bethlehem Steel Co. have about 17,000,000 tons. The Cevisa Co. has about 200,000,000 tons. The Eastern Steel Co. has—I can not answer exactly—quite a large tonnage. They go into fearful tonnage figures down there. The United States Steel Co. was the last company to take up iron ore in Cuba, and they own probably a hundred million. They are the farthest inland and on the higher peaks.

Mr. YOUNG. They have some hard ores?

Mr. PERIN. On the south shore, owned by the Bethlehem and the Pennsylvania Steel Cos.

Mr. YOUNG. From those hard ores the Bethlehem and Pennsylvania Steel Cos. are largely running their works now?

Mr. PERIN. The Bethlehem Steel Co. is using a mixture with lake ores or foreign ores.

Mr. YOUNG. Mr. Schwab told me not long ago that he was not using any lake ore.

Mr. PERIN. They are getting their own Cuban ores with some foreign mixture. They have been buying from Newfoundland, from Belle Island. The Pennsylvania Steel Co. are using between forty and fifty thousand tons per month, which is being shipped up to the furnaces at Sparrow Point from Cuba.

Mr. YOUNG. They are using it and making a success?

Mr. PERIN. Making a very marked success; the quality of the rails made from it is most satisfactory; the ore carries both nickle and a certain percentage of cromium. They have overcome the difficulties first encountered in smelting it.

Mr. YOUNG. That question is practically settled now?

Mr. PERIN. I believe so, and certainly I hope so, because I am interested in the ore.

Mr. YOUNG. It is now beginning and will eventually give a very large body of ore for use in the United States?

Mr. PERIN. The seaboard furnaces will be dependent upon Cuba for their life.

Mr. YOUNG. And that will even go as far west as Pittsburg?

Mr. PERIN. That has been my opinion, although it has not been shared by others. I figured for the Western Maryland Railroad a project by which they could bring coal down for export and take iron back in the empty cars at a very low rate, and figuring the thing at cost, it would leave a fair profit to sell the ore in Pitttsburg against the lake ore, but the prejudice against ore carrying 2 per cent chromium and the fear as to its physical qualities—it is extremely

fine and might give trouble in the blast furnaces. It would probably be no worse than the Mesabi in its early stages. It seems to be a development for the future.

Mr. YOUNG. The present rail rate to Pittsburg is $1.50?

Mr. PERIN. I think it is $1.60. We figured on $1.50. I do not know that there is any ore rate over the Western Maryland published.

Mr. YOUNG. The rail rate to Bethlehem is 50 cents?

Mr. PERIN. Fifty-five cents. That includes the unloading charge.

Mr. YOUNG. Are you familiar with the estimate of Mr. C. Willard Hayes, of the Geological Survey, of the ores of this country?

Mr. PERIN. I have seen the printed document which contains his estimate.

Mr. YOUNG. Have you knowledge enough of the different districts to which he refers to form a judgment as to the accuracy of his estimate as an estimate?

Mr. PERIN. I should say no. Some of the districts I would be familiar with and have a judgment that was worth while, but the survey has exceptional opportunities to get information on these subjects, and their judgment should be better than that of any individual engineer, except that they do not always consider the questions from a practical point of view.

Mr. YOUNG. He refers especially in that report to ores as available under present conditions, and explains in his report that he means commercially available at the present time, and the cutting down of vast deposits in the West which are now available. Do you remember that feature of his report?

Mr. PERIN. I do not recall it. I read it with a great deal of interest when it came out, but it has not stayed by me. The only criticism made upon that type of estimate is this, that he does not take into consideration the extreme variation in the market in making ores available or not. For instance, beginning at Pulaski, Va., there is one of the Pulaski furnaces out of commission, the Bristol furnace is out of blast in Tennessee, one Rockwood is down, at Chattanooga two furnaces are down—those men can not live at $9.50, the base price in Birmingham, whatever it happens to be to-day, and you can see that those ores are not available in this market.

Mr. YOUNG. Then, the northern ores are more available from a commercial standpoint?

Mr. PERIN. I would say so.

Mr. YOUNG. That would render the northern ores much more valuable, as they can stand bad years as well as the good years?

Mr. PERIN. They have been sold at a litle higher margin of profit, and there is a chance for greater shrinkage without putting them out of business. In the South we have been on our "marrow bones" for a long time, and can not stand much shrinkage and continue to live.

Mr. YOUNG. Is it not a fact that your trouble has come largely from two things—in the first place, you have not had a market within the range to which you could send your product?

Mr. PERIN. That is true.

Mr. YOUNG. And have not the southern iron and steel men continually fooled themselves as to what their actual cost was?

Mr. PERIN. There has been no more monumental example of bad accounting than has been exhibited in the cost statements of pig iron south of the Ohio River.

Mr. YOUNG. That is what we have understood up North.

Mr. PERIN. You are about right.

The CHAIRMAN. The error in the South sprang from the failure to make a proper depreciation charge?

Mr. PERIN. Yes, sir; and the failure to realize that the blast furnace wears out.

The CHAIRMAN. That is a matter of a few cents on a ton, as between a depreciation charge accurately made and a depreciation charge inaccurately made?

Mr. PERIN. I think in the case of the old Ensley furnace they thought that they made iron for $5.50 and it cost them $6.50.

The CHAIRMAN. The depreciation on a furnace would hardly be $1 a ton.

Mr. PERIN. The depreciation charge should have been exactly equal to the cost of the original plant. They made tons equal to their cost in dollars. There is not one stone left of that original plant to-day.

The CHAIRMAN. Your estimate is $4 a ton cheaper?

Mr. PERIN. Than Pittsburg.

The CHAIRMAN. And that is based after making a proper depreciation charge?

Mr. PERIN. Taking a similar plant, the difference in the cost of assembling and the original cost of production will enable the South to make iron in Birmingham about $4 a ton cheaper than you can make it in Pittsburg.

The CHAIRMAN. Failure to make a proper depreciation charge simply affects the question of cost and not the relative figures given by you?

Mr. PERIN. I do not think so; except the North has had more experience and better accounting, and I think they looked the matter in the face with a little more clearness and coldness than they did in the South. There was a great deal of enthusiasm on the part of manufacturers, which did not exist in the North.

The CHAIRMAN. We, down in the South, have been seeking a little ease all along the line; we have not learned the value of a dollar yet.

Mr. YOUNG. I presume that Col. Sellers could make iron down there very much cheaper than you could?

Mr. PERIN. I have no doubt he could not having had any experience.

Mr. YOUNG. They have had a good many Col. Sellers in business down there?

Mr. PERIN. Yes; it took a Col. Sellers to have the courage to go in there and blaze a path and fight the railroads, and so forth.

Mr. YOUNG. You will remember that it was not very long ago that we had that on Lake Superior. How do you make your figures so that you conclude that pig iron can be made in Birmingham at $4 a ton cheaper than in Pittsburg?

Mr. PERIN. I will say that almost constantly there has been substantially that differential in favor of Birmingham. There has not been a great variation from that figure for 10 or 12 years, and as cost has gone up in Pittsburg, so the cost has gone up in Alabama.

Mr. YOUNG. In making that estimate what price do you figure your ore in the ground?

Mr. PERIN. I take the furnace cost, and if the cost in Pittsburg is $13.50, the price of the same grade in Birmingham is $9.50.

Mr. YOUNG. That is what you get for it?

Mr. PERIN. Yes, sir.

Mr. YOUNG. But when you figure your cost in Birmingham, of course the ore is one element of cost; what do you figure that ore is worth in the ground, before you mine it?

Mr. PERIN. It varies very much with the thickness—the cost per acre. Personally I think many of the corporations allow a sinking fund of 25 cents a ton. The Sloss Co. has a smaller one.

Mr. YOUNG. In figuring that it costs $4 more at Pittsburg, at what price do you figure the ore that they use? Do you figure it in the ground at so much or at Pittsburg?

Mr. PERIN. So much at Pittsburg, and the mining company absorbs whatever they allow for the depreciation of the capital invested in the ore.

Mr. YOUNG. The main difference in cost comes right there, the difference in figuring the price of the ore?

Mr. PERIN. The assembling cost. You take the cost of the ore in Pittsburg, plus the water freight and plus the rail freight. In Birmingham you have 12½ cents per ton, a favorable rate.

Mr. YOUNG. That is all embraced in the cost of the ore. If you figure your ore at Birmingham at the furnace, and at Lake Superior at the furnace, and at Pittsburgh at the furnace or mill, why, the main difference in the cost would be right in that item?

Mr. PERIN. The price unit. Also it has a lower plant installation, and also cheaper fuel.

Mr. YOUNG. But the main thing——

Mr. PERIN (interposing). Largely the difference is in the iron ore and in the assembling cost.

Mr. YOUNG. Have you made any comparison with Gary?

Mr. PERIN. No, sir.

Mr. YOUNG. Do you know whether the cheaper production of pig iron is at Gary or at Pittsburg?

Mr. PERIN. The United States Steel Corporation has not been very indiscriminate in giving out their cost of production, so I have no way of knowing. It is said they produce pig iron at extremely low figures. There are others who say there are furnaces in the Pittsburg district where the cost is lower. I have no doubt that they will ultimately show the world the lowest cost above raw materials.

Mr. YOUNG. Of course, the ore based on the price at Cleveland, Lake Erie ports, or Pittsburg no doubt shows quite an element of profit to the miner?

Mr. PERIN. They have been wiser in their day and generation.

Mr. YOUNG. And in figuring your cost in Birmingham, you figure nothing for that, do you? You figure your ore at about 25 cents in the ground, and then what it costs to take it out, and you figure your cost at the furnace as made up of those two items?

Mr. PERIN. Yes, sir; but the furnace is the proprietor of the ore, and they make their profit on the pig iron.

Mr. YOUNG. That is true in the North.

Mr. PERIN. Especially of the United States Steel Corporation.

Mr. YOUNG. And Jones & Laughlin, and the Lackawana Steel Co., practically all of them own their own ore?

Mr. PERIN. The large corporations do.

Mr. YOUNG. Are you not fooling yourself a little on that proposition, basing your cost on a different set of figures from your own, that you figure as a part of their cost a mining profit, and you figure as a part of your own cost no mining profit?

Mr. PERIN. In the long run the selling price of any product, I mean taking it in times of depression and in profitable periods, follows very closely the cost of production, and the actual difference between the selling price at Birmingham and at Pittsburg has been very constantly at that figure. The average rate of profits, however, is probably higher in Pittsburg, due to the fact that those gentlemen make a profit in carrying the process further into tin plate and wire, and so forth, whereas, the Birmingham profit is limited, with the one exception of the Tennessee Co., to the profit made in the simple manufacture and sale of pig iron. They have less capital involved, they have bought their iron ore cheaply, and, consequently, they do not consider that element in the light that a man in the Lake Superior district does.

Mr. YOUNG. Your figure of $4 a ton difference in the cost is really based first on the difference in the selling price, and your belief that in the long run the selling price in the two markets will be about the same percentage above the actual cost rather than from any knowledge of the actual cost?

Mr. PERIN. No; I do not go as far as to say that I have no knowledge of the actual cost. I have been a blast furnace manager. I began as fireman, engineer, foreman, night foreman, as proprietor, president, and general manager of a blast furnace, and I have had that experience which would enable me to speak with some authority. I was also chairman of the board of directors of the original consolidation of the Southern Steel Corporation.

Mr. YOUNG. Have you had any actual experience with the actual cost in Pittsburg?

Mr. PERIN. Not as an operator, but as the seller of raw material, where we were paid for coke on the basis of the average selling price of the plants, like the Federal furnace of Chicago, owned by my friends; I have accurate detailed information of the plant in Chicago, and I have accurate detailed information of the furnaces in the Pittsburg district, in central Pennsylvania, and at a number of points, and my figures range from less than $3 a ton to a difference of $5 a ton, but between the Birmingham price and the Pittsburg price there has been about that difference. There has never been a proper depreciation of ore, nor a sufficiently heavy sinking fund, nor a proper allowance for depreciation of a commercial plant.

Mr. YOUNG. You have not made so great an allowance in the Birmingham district?

Mr. PERIN. No, sir; I have not.

The CHAIRMAN. The Chair wishes to say to all of you gentlemen that the committee is deeply obliged to you for your kindness in appearing so promptly before it, and in your willingness to answer so fully and patiently the many questions propounded.

(The statement referred to by the chairman follows:)

INDEX.

PART I.

SUMMARY OF TABLES.

	Page
Ore tonnage	3
Ore percentage	4
Coal tonnage and percentage	5

PART II.

Tennessee Coal, Iron & Railroad Co., coal	1
Tennessee Coal, Iron & Railroad Co., ore	2
Sloss-Sheffield Steel & Iron Co., coal	3
Sloss-Sheffield Steel & Iron Co., ore	4
Republic Iron & Steel Co., coal	5
Republic Iron & Steel Co., ore	6

EXPLANATORY NOTES.

Leases.	Coal.	First-class red ore.
T. C. I. & R. R. Co	[1] 2,000,000	[2] 7,479,000
S.-S. S. & I. Co		
R. I. & S. Co		[2] 8,515,000

[1] Gamble. [2] Potter property.

Limestone.—The committee finds such an abundant and inexhaustible tonnage of limestone in the Birmingham district, both owned and easily acquired by all the companies, that no attempt has been made by the committee to estimate the tonnage.

Real estate.—All of the companies own real estate, most valuable apart from its mineral contents, but real estate being a subject that the members of the committee do not feel themselves sufficiently informed upon to deal with, they have decided not to consider the question at all, it being thought by the committee that the valuation of real estate should be entrusted to those who have a better knowledge of the value of the same.

INDEX TO ORE CLASSIFICATION.

FE, metallic iron.
SiO_2, silica.
CaO, lime.

RED ORE.

	Hard.	Soft.		Hard.	Soft.
First class:	*Per ct.*	*Per ct.*	Third class:	*Per ct.*	*Per ct.*
Metallic iron	36-37	50	Metallic iron	36	
Silica	10	15	Silica	16-18	
Lime	15-16		Lime	15	
Second class:			Fourth class:		
Metallic iron	30	42	Metallic iron	32	
Silica	15	27	Silica	18	
Lime	15		Lime	15	

BROWN ORE.

	First class.	Second class.
	Per ct.	*Per ct.*
Metallic iron	45-50	45-50

REPORT OF THE COMMITTEE APPOINTED TO DETERMINE THE TONNAGE OF COAL AND IRON ORE CONTAINED IN THE PROPERTIES OF THE TENNESSEE COAL, IRON & RAILROAD CO., SLOSS-SHEFFIELD STEEL & IRON CO., AND REPUBLIC IRON & STEEL CO., IN THE STATES OF ALABAMA, GEORGIA, AND TENNESSEE.

D. H. BACON, Esq., *President Tennessee Coal, Iron & Railroad Co.;*
J. C. MABEN, Esq., *President Sloss-Sheffield Steel & Iron Co.;* and
A. W. THOMPSON, Esq., *President Republic Iron & Steel Co.:*

SIRS: Since the first meeting of your committee, held February 12, 1904, more than three months have been devoted to securing the information submitted herewith.

In reporting upon an area of more than one-half million acres errors may have been made in particular localities, but in calculating the tonnages the greatest conservatism has been exercised by the committee, and it is their belief that all of the tonnages given are recoverable. In the classification of both ore and coal the practice of the Birmingham district has been adopted.

As far as possible the information obtained has been reduced to tabulated statements. Typical analyses are given on the following tables, showing what has been regarded as first and second class brown ores and first, second, third, and fourth class red ores.

A very large tonnage of low-grade ore below the fourth class of the classification adopted exists upon the properties of all three companies, but such low grade is, in the present state of the art of iron smelting, regarded by the committee as unmerchantable and has not been considered. Had the tonnage of this ore been returned, the percentage of each company's ownership would not have been materially changed.

In calculating the coal tonnage, seams of coal of an average thickness below 30 inches have not been considered.

The coals have been classified as first and second class coking coal, first and second class steam coal, also as domestic coal.

More than 500,000 acres were classified as coal or ore bearing. No tonnage has been returned upon a large acreage, for the reason that the absence of development or accurate information prevented the committee from allowing tonnage.

In the following tables will be found the relative tonnage of each corporation of both iron ore and coal.

The percentage of land held in fee and under lease, the percentage of ore and of coal of different qualities, and the tonnage, by districts, are all shown in separate tables.

In the examination of the properties and determination of tonnages, differences of opinion have naturally arisen, but these differences have been harmonized, and the report is signed by the committee unanimously. A general map accompanies this report.

Respectfully submitted.

T. H. ALDRICH.
WALTER MOORE.
G. P. PERIN.
WM. M. GIVEN.
J. W. WORTHINGTON.

BIRMINGHAM, ALA., *May 25, 1904.*

SUMMARY OF TABLES, WITH PERCENTAGE OWNERSHIP.

Owners.	Excluding leased property.		Including leased property.	
Total red ore.		*Per ct.*		*Per ct.*
T. C. I. & R. R. Co	395,142,100	82.8	402,621,500	81.7
S-S. S. & I. Co	51,395,500	10.8	51,395,500	10.4
R. I. & S. Co	30,526,800	6.4	30,041,800	7.9
Total	477,064,400	100.0	493,058,800	100.0
Red ore, excluding fourth class.				
T. C. I. & R. R. Co	381,029,700	86.9	388,509,100	85.5
S-S. S. & I. Co	40,011,200	9.1	40,011,200	8.8
R. I. & S. Co	17,588,400	4.0	26,103,400	5.7
Total	438,629,300	100.0	454,623,700	100.0

SUMMARY OF TABLES, WITH PERCENTAGE OWNERSHIP—Continued.

Owners.	Excluding leased property.		Including leased property.	
Red ore (excluding fourth class) and brown ore.		*Per ct.*		*Per ct.*
T. C. I. & R. R. Co	391,206,700	80.6	398,686,100	79.5
S-S. S. & I. Co	66,586,200	13.7	65,586,200	13.3
R. I. & S. Co	27,588,400	5.7	36,103,400	7.2
Total	485,381,300	100.0	501,375,700	100.0
All ore, red and brown.				
T. C. I. & R. R. Co	405,319,100	77.4	412,798,500	76.5
S-S. S. & I. Co	77,970,500	14.9	77,970,500	14.4
R. I. & S. Co	40,526,800	7.7	49,041,800	9.1
Total	523,816,400	100.0	539,810,800	100.0
Total brown ore.				
T. C. I. & R. R. Co			10,177,000	21.78
S-S. S. & I. Co			26,575,000	56.84
R. I. & S. Co			10,000,000	21.38
Total			46,752,000	100.00

PERCENTAGE OWNERSHIPS—BROWN ORE.

	Per cent.
T. C. I. & R. R. Co	21.8
S-S. S. & I. Co	56.8
R. I. & S. Co	21.4
	100.0

	Total red ore.	Red ore, excluding fourth class.	Red ore, excluding fourth class, and brown ore.	Total ore red and brown.
Excluding leaseholds.	*Per cent.*	*Per cent.*	*Per cent.*	*Per cent.*
T. C. I. & R. R. Co	82.8	86.9	80.6	77.4
S-S. S. & I. Co	10.8	9.1	13.7	14.9
R. I. & S. Co	6.4	4.0	5.7	7.7
	100.0	100.0	100.0	100.0
Including leaseholds.				
T. C. I. & R. R. Co	81.7	85.5	79.5	76.5
S-S. S. & I. Co	10.4	8.8	13.3	14.4
R. I. & S. Co	7.9	5.7	7.2	9.1
	100.0	100.0	100.0	100.0

COAL.

Excluding the Tennessee Coal, Iron & Railroad Co.'s leasehold of 2,000,000 tons at Gamble.

	Total coal.	Per cent.
T. C. I. & R. R. Co	1,621,639,500	68.22
S.-S. S. & I. Co	581,946,700	24.48
R. I. & S. Co	173,542,200	7.30
Total	2,377,128,400	100.00

Tonnage ownership of coking coal.

	T. C. I. & R. R. Co.	S.-S. S. & I. Co.	R. I. & S. Co.
First class	809,112,000	314,049,200	92,338,800
Second class	183,800,000	79,646,400	53,304,400
Total	992,912,000	393,695,600	145,643,200

TOTALS.

First class	1,215,500,000
Second class	316,750,800
	1,532,350,800

Percentage ownership, coking coal.

	First class.	Second class.	Total.
	Per cent.	*Per cent.*	*Per cent.*
T. C. I. & R. R. Co	66.6	58.0	64.8
S.-S. S. & I. Co	25.8	25.1	25.7
R. I. & S. Co	7.6	16.9	9.5
	100.0	100.0	100.0

NOTE.—Tonnage and percentage ownerships of steam of the first and second class, and of domestic coals, have not been separately returned.

COAL.

Property and location.	Acreage considered.	Acreage considered mineral bearing.	Seam.	Class.	Tonnage (1 ton=2,000 pounds).
Whitwell and Tracy City, Tenn.	78,298	30,000		1 S., 2 C.	96,000,000
Walker, Marion, and Fayette.	72,015	36,000	Jefferson or Black Creek.	1 D., 2 S.	90,117,500
County lands	4,500	4,500	Gamble and Galloway	2 S.	16,450,000
Gamble sheet, except lands.	640	640	Corona	do	2,000,000
About America	(1)	6,400	Mary Lee	do	2,000 000
Swansea district, township 14 south, ranges 1 and 2 east.		2,000		2 S.	6,000,000
Townships 12, 13, and 14 south, range 1 west.		5,320		1 S.	15,960,000
Cahaba Field	66,440			1 S. and 2 D.	300,000,000
				1 S. and C.	270,000,000
Pratt Field, southeast of Warrior River, in Jefferson County, Ala.	79,500	60,000	Pratt	2 S.	180,000,000
		20,000	Nickle Plate or America	1 C.	504,000,000
			Big	1 S., 2 C.	72,000,000
			Jefferson and Black Creek.		
Blue Creek Basin, township 12 south, ranges 5 and 6 west; township 20 south, range 6 west.	9,960	4,389	Blue Creek	1 C.	35,112,000
			Jefferson and Black Creek.	1 S., 2 C.	15,800,000
Townships 12, 13, 14, and 15 south, ranges 5 and 6 west.	7,880	2,500		2 S.	7,500,000
Townships 13, 14, and 15 south, range 2 west.	6,000	3,600		do	10,800,000
					[2] 1,623,639,500

[1] Gamble mines leasehold.
[2] Of this 2,000,000 is leasehold.

Under the head class, the figures indicate the grade of coal. C, coking; D, domestic; S, steam.

Tennessee Coal, Iron & Railroad Co.

RED ORE.

Property and location.	Acreage considered.	Acreage considered mineral bearing.	Representative analysis.	Class.	Tonnage (1 ton=2,240 pounds).
Little Red Mountain, township 12 south, range 4 east.	570	.....	Fe, 42 per cent; SiO_2, 27 per cent.	Second soft....	250,000
St. Clair, township 14 south, range 2 east.	520	220	Fe, 36 per cent; SiO_2, 15 per cent; CaO, 15 per cent.	Second hard...	2,200,000
Section 32, township 16 south, range 1 west.	80	80	Fe, 36 per cent; SiO_2, 15–16 per cent; CaO, 10–12 per cent.	Third hard....	800,000
Compton, township 14 south, range 1 west.	500	94	Fe, 36–37 per cent; SiO_2, 10 per cent; CaO, 15–16 per cent.	First hard.....	750,000
Red Mountain, from Herdona to Sparks Gap, townships 18 and 19 south; ranges 3 and 4 west.	15,000	12,000	Fe, 36–37 per cent; SiO_2, 10 per cent; CaO, 15–16 per cent.	First hard[1]....	279,750,000
			Fe, 36 per cent; SiO_2, 15 per cent; CaO, 15 per cent.	Second hard[1].	35,405,700
			Fe, 36 per cent; SiO_2, 16–18 per cent; CaO, 15 per cent.	Third hard....	61,873,200
			Fe, 32 per cent; SiO_2, 18 per cent; CaO, 15 per cent.	Fourth hard..	10,272,400
Potter lease: Township 19 south, range 4 west.	350	[2]280	Fe, 36–37 per cent; SiO_2, 10 per cent; CaO, 15–16 per cent.	First hard[1]...	7,479,400
Sections 15, 21, 22, and 28, township 16 south, range 1 west.	780	480	Fe, 32 per cent; SiO_2, 18 per cent; CaO, 15 per cent.	Fourth hard..	3,840,000
Total (of which 7,479,400 is leasehold).	.....	.....	.....	.....	402,621,500

[1] A small percentage of soft ore not separated from hard.
[2] Lease.

BROWN ORE.

Champion (joint with S-S. S. & I. Co., one-half each).	1,540	.....	Fe, 45–50 per cent.....	First.....	[1]325,000
Southwest quarter section 23; township 12 south, range 2 east.	160	.....	Fe, 45–50 per cent.....	.....do.....	50,000
Northwest quarter of northeast quarter section 5, township 13 south, range 2 east.	40	.....	Fe, 45–50 per cent.....	.....do.....	25,000
Giles, Martiban, and Standiford, Tuscaloosa and Bibb Counties, townships 20 and 21 south, ranges 5 and 6 west.	3,600	.....	Fe, 45–50 per cent.....	.....do.....	8,000,000
Emerson, Baker County, Ga.	1,200	.....	Fe, 45–50 per cent.....	.....do.....	1,366,000
			Fe, 40–45 per cent.....	Second.....	411,000
Total.....	.....	.....	.....	.....	10,177,000

[1] One-half of total tonnage

Sloss-Sheffield Steel & Iron Co.

COAL.

Property and location.	Acreage considered.	Acreage considered mineral bearing.	Seam.	Class.	Tonnage (1 ton=2,000 pounds).
Walker, Marion, and Fayette County lands, Gamble sheet, except lands about America.	10,950	.....	Jefferson or Black Creek.	1 D. and 2 S...	13,662,500
Swansea district, township 14 south, ranges 1 and 2 east.	.....	200	.....	2 S.....	600,000
Township 14 south, range 1 west.	.....	600	.....	1 S.....	1,800,000
Adjoining Blue Creek Basin.	.....	.....	Pratt.....	1 S. and 1 C...	24,024,000
Townships 18 and 19 south.	.....	.....	Nickle Plate of America.	2 S.....	16,380,000
Ranges 5 and 6 west...	6,340	5,460	Big.....	1 C.....	45,864,000
			Jefferson and Black Creek.	1 S. and 2 C...	19,656,000
Jefferson County lands.....	.....	4,900	Pratt.....	1 S. and 1 C...	17,643,600
Township 15 south, range 5 west.	.....	.....	Nickle Plate of America	2 S.....	49,992,000
Township 16 south; ranges 5 and 6 west.	19,605	16,660	Big.....	1 C.....	139,977,600
		.....	Jefferson and Black Creek.	1 S. and 2 C...	59,990,400
Townships 13, 14, and 15 south, range 2 west.	1,040	624	.....	1 S.....	1,872,000
Drifton district:					
Townships 15 and 16 south.	.....	8,767	Pratt	....do	25,180,400
		14,181	Nickle Plate of America	2 S.....	56,764,200
Ranges 6 and 7 west...	21,817	10,908	Big.....	1 C.....	54,540,000
			....do.....	....do	32,000,000
Ivy mine, township 15 south, range 5 west.	5,673	5,673	Black Creek and Jefferson.	1 S.....	22,000,000
Total.....	.....	.....	.....	.....	581,946,700

Under the head "Class," the figures indicate the grade; C, coking; D, domestic; S, steam.

RED ORE.

Property and location.	Acreage considered.	Acreage considered mineral bearing.	Representative analysis.	Class.	Tonnage (1 ton=2,240 pounds).
St. Clair, township 14 south, range 2 east.	600	200	Fe, 36 per cent; SiO_2, 15 per cent; CaO, 15 per cent.	Second hard...	2,000,000
Irondale, township 17 south, ranges 1 and 2 west.	840	420	Fe, 32 per cent; SiO_2, 18 per cent: CaO, 15 per cent.	Fourth hard...	11,384,300
Compton, township 14 south, range 1 west.	90	80	Fe, 36–37 per cent; SiO_2, 10 per cent; CaO, 15–16 per cent.	First hard.....	650,000
Sloss mines, sections 1, 6, 7, 11, and 12, township 19 south, ranges 3 and 4 west.	1,060	820	Fe, 36–37 per cent; SiO_2, 10 per cent; CaO, 15–16 per cent.	.....do.....	37,361,200
Total.....	.....	.....	.....	.....	51,395,500

BROWN ORE.

Russellville.....	18,425	[1] 1,924	Fe, 45–50 per cent.....	First.....	26,000,000
Champion (joint with T. C. I. & R. R. Co., one-half each).	1,540	.....	Fe, 45–50 per cent.....	.....do.....	[2] 325,000
Bishop property, section 23, township 12 south, range 2 east.	160	.....	Fe, 45–50 per cent.....	.....do.....	250,000
Total.....	.....	.....	.....	.....	26,575,000

[1] Township 7 south, range 12 west, and township 6 south, range 11 west.
[2] One-half of total tonnage.

Republic Iron & Steel Co.

COAL.

Property and location.	Acreage considered.	Acreage considered mineral bearing.	Seam.	Class.	Tonnage (1 ton=2,000 pounds).
Shades Creek, township 21 south, range 5 west.	2,240	1,080	.....	1 S. and D....	6,500,000
Sayreton, township 17 south, range 3 west.	2,007	400	Pratt.....	1 S. and 1 C...	1,443,600
		502	Nickle Plate of America.	2 S.....	1,506,000
		1,706	Big.....	1 C.....	14,330,400
		.....	Jefferson and Black Creek.	1 S. and 2 C...	6,141,600
Warner, townships 16 and 17 south, ranges 3 and 4 west.	3,120	.....	Pratt.....	1 S. and C.....	9,609,600
		2,184	Nickle Plate of America.	2 S.....	6,552,000
		2,652	Big.....	1 C.....	22,276,800
		.....	Jefferson and Black Creek.	1 S. and 2 C...	9,547,200
Porter, townships 16 and 17 south, range 5 west.	3,760	2,632	Pratt.....	1 S. and 1 C...	7,896,000
		3,156	Nickel Plate or America.	2 S.....	7,896,000
			Big.....	1 C.....	26,846,400
			Jefferson and Black Creek.	1 S. and 2 C...	11,505,600
Township 20 south, range 6 west.	1,460	1,095	.....	1 S.....	3,285,000
Townships 17 and 18 south, range 4 west; west of Wylam.	720	720	Pratt.....	1 S. and 1 C...	3,888,000
			Nickel Plate or America.	2 S.....	2,160,000
			Big.....	1 C.....	6,048,000
Township 16 south, ranges 2 and 3 west.	2,560	2,560	New Castle.....	2 S. and 2 C...	18,430,000
			Black Creek.....	1 S. and 2 C...	7,680,000
Total.....	.....	.....	.....	.....	173,542,200

Under the head Class, the figures indicate the grade of coal: C, coking; D, domestic; S, steam.

RED ORE.

Dago sections 27, 28, 33, and 34, township 17 south, range 2 west.	585	320	Fe, 32 per cent; SiO_2, 18 per cent; Ca O, 15 per cent.	Fourth hard..	8,673,000
Lockwood, section 2, township 18 south, range 3 west three-fourths interest.	(1)	(2)	Fe, 32 per cent; SiO_2, 18 per cent; CaO, 15 per cent.	.....do.....	[3] 4,265,400
Spaulding, sections 10, 14, 15, and 22, township 18 south, range 3 west.	(4)	(5)	Fe. 36 per cent; SiO_2, 16–18 per cent; CaO, 10–12 per cent.	Third hard....	12,488,400
Alfretta, townships 16 and 17, range 1 west.	605	400	Fe, 36 per cent; SiO_2, 16–18 per cent; CaO, 10–12 per cent.	Third hard....	5,000,000
			Fe, 42 per cent; SiO_2, 27 per cent.	Second soft....	100,000
Raumund (leasehold), sec. 22, township 19 south, range 4 west.	400	340	Fe, 36–37 per cent; SiO_2, 10 per cent; CaO, 15–16 per cent.	First class.....	8,515,000
Total.....	.....	.....	.....	.....	[6] 39,041,800

[1] Three-fourths of 200.
[2] Three-fourths of 160.
[3] Republic interest.
[4] 45 per cent in 550, 140 fee.
[5] 45 per cent in 380, 100 fee.
[6] Of this 8,515,000 is leasehold.

BROWN ORE.

Tuscaloosa and Bibb Counties:					
Goethite.....	2,800	.....	.....	First class.....	5,000,000
Houston.....	.....	.....	Fe, 45–50 per cent.....	.....do.....	5,000,000
Total.....	.....	.....	.....	.....	10,000,000

(Thereupon the committee adjourned.)

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No. 16

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

AUGUST 2, 1911

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

THE UNITED STATES STEEL CORPORATION.

SPECIAL COMMITTEE ON THE INVESTIGATION
OF THE UNITED STATES STEEL CORPORATION,
New York, Wednesday, August 2, 1911.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

There were also present Messrs. Bartlett, Littleton, Beall, McGillicuddy, Young, Sterling, and Danforth.

The CHAIRMAN. The committee will resume its session.

STATEMENT OF GRANT B. SCHLEY.

(The witness was duly sworn by the chairman.)

Mr. LITTLETON. What is your full name?

Mr. SCHLEY. Grant B. Schley.

Mr. LITTLETON. Where do you reside?

Mr. SCHLEY. In New Jersey, at Far Hills.

Mr. LITTLETON. I believe you have been a little under the weather lately?

Mr. SCHLEY. I just came in this morning from my farm. I have not been in my office for three months.

Mr. LITTLETON. Mr. Schley, are you a member of the firm of Moore & Schley?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. Composed of Mr. Moore and yourself?

Mr. SCHLEY. We had other partners.

Mr. LITTLETON. When did that firm begin business in New York?

Mr. SCHLEY. In 1885.

Mr. LITTLETON. What was the business of the firm?

Mr. SCHLEY. Brokerage business. We bought and sold stocks and did a banking business, and acted for corporations in various ways.

Mr. LITTLETON. Bankers and brokers, as commonly described?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. Your firm, of course, had a membership on the Stock Exchange?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. Who was the floor member?

Mr. SCHLEY. I had been a member and we had two other members.

Mr. LITTLETON. Were you the active floor member, or did you have some one on the floor attending to floor matters?

Mr. SCHLEY. I have not been on the floor in 20 years personally.

Mr. LITTLETON. It is customary for a stock exchange house to have some man active on the floor at all times representing the firm?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. And you had some man who represented your firm?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. Were you one of the organizers of the syndicate which took over the stock of the Tennessee Iron & Coal Co.?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. When was that syndicate organized to take over the stock?

Mr. SCHLEY. In 1905; November, I believe.

Mr. LITTLETON. Pardon me, but I did not get that answer.

Mr. SCHLEY. In November, 1905, I believe.

Mr. LITTLETON. Who were the organizers of the syndicate—I will call it a syndicate, although it probably was not when it started—who organized the syndicate to buy the Tennessee Coal & Iron Co.'s stock?

Mr. SCHLEY. There were three gentlemen who found that the stock could be bought, and they asked these different parties to take an interest and they accepted.

Mr. LITTLETON. Was that what finally turned out to be the syndicate that bought the stock?

Mr. SCHLEY. The individuals bought their own stock. The syndicate did not buy the stock. It had no function except to keep the party together. Well, there was a paper drawn giving Mr. Hanna and myself full authority.

Mr. LITTLETON. Who were the three gentlemen who first conceived the idea and suggested the purchase of the stock of the Tennessee Coal & Iron Co.?

Mr. SCHLEY. Mr. Guthrie, Mr. Hanna, and myself.

Mr. LITTLETON. Is Mr. Guthrie a banker and broker?

Mr. SCHLEY. He died very shortly after that. He was interested in the iron business.

Mr. LITTLETON. The Tennessee Coal & Iron stock at that time was distributed pretty widely?

Mr. SCHLEY. No; it was offered to us by a certain party.

Mr. LITTLETON. You mean that it was offered to you three gentlemen by some one who had a large and controlling interest in it.

Mr. SCHLEY. A large interest in it.

Mr. LITTLETON. That was in 1905, was it not?

Mr. SCHLEY. I think so. I am never sure of dates; I have a bad memory.

Mr. LITTLETON. Was the gentleman who offered it to you Mr. George Kessler?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. After it had been suggested that you could buy it, did the three gentlemen you have named invite the other members of the final syndicate—did you consult with them as to whether they would come in and take part in the purchase of it?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. And I take it that the men whose names have been given and are in the record as purchasers agreed to come in and take certain shares, as they finally took?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. What was the share interest of the entire group of men that finally came in and formed the syndicate?

Mr. SCHLEY. As I remember it, 118,500 shares.

Mr. LITTLETON. Do you know what the entire capital of the company was?

Mr. SCHLEY. I think the capital was $22,500,000.

Mr. LITTLETON. That would be 225,000 shares?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. So your syndicate arranged to take 118,000 shares, about?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. You say the men who formed the syndicate each bought for himself his own stock?

Mr. SCHLEY. That was the general design of the proposition in talking to those parties who could take care of their own stock. The syndicate had no function in holding the stock as a syndicate.

Mr. LITTLETON. As a distinct financial proposition each man was to finance his own holdings?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. Although they put it together as finally evidenced by the syndicate agreement?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. Was it in 1905 when all the gentlemen came in?

Mr. SCHLEY. It all happened together, I think, in 1905.

Mr. LITTLETON. Who actually conducted the negotiations for the purchase of the stock, your firm?

Mr. SCHLEY. No. Mr. Hanna and Mr. Guthrie and I met Mr. Kessler at the Gotham Hotel one evening, he explaining the number of shares he had on hand, and advising that he could get the balance to sell this majority within a few days. I do not remember the part of the arrangement of our meeting other people, but it was all accomplished in two days.

Mr. LITTLETON. What was the stock quoted at at that time, Mr. Schley?

Mr. SCHLEY. As I remember, along in the nineties—eighties and nineties.

Mr. LITTLETON. Would you mind saying what the purchase price was?

Mr. SCHLEY. One hundred and ten we paid for it.

Mr. LITTLETON. When the stock was bought, what was done with it?

Mr. SCHLEY. Each party took out his stock, using his different financial houses to care for it for him.

Mr. LITTLETON. Was the stock brought to your firm after it was purchased by Mr. Kessler or the interests he represented?

Mr. SCHLEY. Yes, sir; it was carried through our firm and then distributed to the parties.

Mr. LITTLETON. The financial negotiations were carried on through the firm of Moore & Schley, so far as the purchase was concerned?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. But each of the syndicate members subscribed for and paid for the stock according to the number of shares he agreed to take?

Mr. SCHLEY. Yes, sir; that was the theory of the whole proposition.

Mr. LITTLETON. Was that substantially what happened?

Mr. SCHLEY. Exactly what happened.

Mr. LITTLETON. So each man was at liberty and in many instances did take up the stock and take it to his own home or place of business, and kept it as security?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. Was the stock being dealt in outside of the 118,000 shares at that time?

Mr. SCHLEY. It was being dealt in on the stock exchange constantly. This had no reference to the stock exchange transactions.

Mr. LITTLETON. Was this syndicate agreement in evidence here entered into after you had gotten the men to go into the syndicate and had agreed to purchase from Mr. Kessler, making you and Mr. Hanna the syndicate managers?

Mr. SCHLEY. Afterwards; yes, sir.

Mr. LITTLETON. So that under the syndicate agreement, generally, you and Mr. Hanna became the managers of the syndicate stock? Is that correct?

Mr. SCHLEY. According to the reading of the syndicate papers; yes, sir.

Mr. LITTLETON. How soon after your syndicate had been formed was it that there was an issue of additional stock?

Mr. SCHLEY. I can not give that date, but we started immediately to improve the property and conceived that method of raising the money.

Mr. LITTLETON. There was not any speculative idea running through the purchase of this stock, was there?

Mr. SCHLEY. No, sir.

Mr. LITTLETON. It was a deliberate and genuine design to improve the property and to make it a producing property?

Mr. SCHLEY. That was the total argument we had in addressing these people.

Mr. LITTLETON. Most of the men in the syndicate were quite able to take care of the stock, and to take additional stock when issued?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. There was a subsequent issue of stock, an additional issue?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. And that was absorbed by the then stockholders or members of the Syndicate as well as those outside?

Mr. SCHLEY. By some outside. Some of the members of the syndicate subscribed to the second syndicate of 50,000 shares. There were subscriptions from a number of people for the 50,000 shares.

Mr. LITTLETON. Was that the first additional issue?

Mr. SCHLEY. That was the second syndicate. There was a second syndicate formed.

Mr. LITTLETON. There was a second syndicate formed?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. From the same men?

Mr. SCHLEY. No; some of those and some additional men.

Mr. LITTLETON. Some of the original syndicate members?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. In conjunction with the new men they formed the syndicate to take the additional issue which was called the second syndicate?

Mr. SCHLEY. To take the 50,000 shares.

Mr. LITTLETON. Of the new issue?

Mr. SCHLEY. No; of the stock on the Street.

Mr. LITTLETON. How soon was that second syndicate formed?

Mr. SCHLEY. I can not give you the date. It may have been a year or six months.

Mr. LITTLETON. Who were the additional members of the second syndicate?

Mr. SCHLEY. There were about 30 of them.

Mr. LITTLETON. Have you their names?

Mr. SCHLEY. I have not them here.

Mr. LITTLETON. Have you them in your mind?

Mr. SCHLEY. Well, there were so many of them that I could not call them fairly.

Mr. LITTLETON. You can not call them from memory?

Mr. SCHLEY. No, sir.

Mr LITTLETON. The object of this syndicate was to purchase the stock on the Street?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. To purchase 50,000 shares of the stock on the Street?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. That would make, in conjunction with the holdings of the old syndicate, how much stock?

Mr. SCHLEY. It would be 168,500 shares. The new stock issue.

Mr. LITTLETON. Had the new stock been issued before the second syndicate was formed?

Mr. SCHLEY. I can not tell you that to-day.

Mr. LITTLETON. How were the 50,000 shares purchased provided for by the second syndicate? Were they purchased through your brokerage house?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. Were the 50,000 shares, pursuant to the agreement, purchased?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. Did the members of the second syndicate each take their share of the 50,000 shares?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. And pay for it?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. And each had the privilege to take it home, or to do as he liked with it?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. What was paid for the 50,000 additional shares, Mr. Schley?

Mr. SCHLEY. I think 130.

Mr. LITTLETON. One hundred and thirty?

Mr. SCHLEY. I may be wrong; it may have been 120; but I think 130. I have not thought of it for four years.

Mr. LITTLETON. Were you a member of that second syndicate?

Mr. SCHLEY. No, sir.

Mr. LITTLETON. As an individual?

Mr. SCHLEY. I did not subscribe to that.

Mr. LITTLETON. Were the 10 members of the original syndicate members of the second syndicate, except yourself?

Mr. SCHLEY. I did not catch that.

Mr. LITTLETON. Were the 10 members of the original syndicate members of the second syndicate?

Mr. SCHLEY. Some were; some subscribed to the second allotment.

Mr. LITTLETON. Was Mr. Payne a member of the second syndicate?

Mr. SCHLEY. No, sir.

Mr. LITTLETON. Mr. Hanna?

Mr. SCHLEY. No, sir.

Mr. LITTLETON. And you were not?

Mr. SCHLEY. No, sir.

Mr. LITTLETON. Mr. Duke?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. Mr. Berwind?

Mr. SCHLEY. No, sir.

Mr. LITTLETON. Mr. Gates?

Mr. SCHLEY. No, sir.

Mr. LITTLETON. Mr. Brady?

Mr. SCHLEY. No, sir.

Mr. LITTLETON. Mr. Kessler?

Mr. SCHLEY. No; I do not know that he bought any. It was mostly taken from him. Mr. Kessler had no interest in the second syndicate.

Mr. LITTLETON. Who did not?

Mr. SCHLEY. Mr. Kessler.

Mr. LITTLETON. It was bought from him?

Mr. SCHLEY. Yes, sir; principally.

Mr. LITTLETON. Was he the man who engineered the sale of the second 50,000 shares?

Mr. SCHLEY. I think I had the most to do with getting the subscriptions.

Mr. LITTLETON. Was he the man who owned the 50,000 shares?

Mr. SCHLEY. He owned part of it, and I owned part of it.

Mr. LITTLETON. Part of the 50,000 shares?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. What was the relative ownership of the 50,000 shares between yourself and Mr. Kessler?

Mr. SCHLEY. Mine was small.

Mr. LITTLETON. How much did Mr. Kessler own?

Mr. SCHLEY. I would have to ascertain. Mine was probably 5,000 shares out of the 50,000 shares, as I remember it. I do not want to testify absolutely as to that.

Mr. LITTLETON. What is your recollection?

Mr. SCHLEY. Mr. Kessler took certain stocks that he had in other offices and brought them in to make up the stock.

Mr. LITTLETON. He had a large amount of the 50,000 shares?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. Was that syndicate gotten up for the purpose of accentuating the control of the Tennessee Coal & Iron Co.'s stock?

Mr. SCHLEY. Yes, sir; and this circumstance I am stating to you was disclosed to every man who bought it.

Mr. LITTLETON. The circumstances that Mr. Kessler was the owner?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. Was Mr. Kessler in distress?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. Of course, any part of the 50,000 shares which Mr. Kessler owned, if it was not protected and he was in distress and put it on the market, would have affected the stock of these men?

Mr. SCHLEY. He was not in that kind of distress at that time.

Mr. LITTLETON. As to require him to sell it?

Mr. SCHLEY. No, sir.

Mr. LITTLETON. But when you use the word "distress" you mean financial distress?

Mr. SCHLEY. Surely; but that word is a little strong for that particular time. Everybody in the Street here was distressed at that time, but he was not pressed to the point of selling his stock.

Mr. LITTLETON. Do you mean that he was not so distressed—this was about six months or a year after the formation of the syndicate?

Mr. SCHLEY. I think so.

Mr. LITTLETON. The syndicate was formed in 1905?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. There had not been any distress arising within six months or a year after 1905—any general distress?

Mr. SCHLEY. I am not sure about the date when the second syndicate was formed.

Mr. LITTLETON. At all events, it was gotten up for the purpose of buying the Kessler stock, he being in distress and willing to sell, and the syndicate was formed for the purpose of taking that stock over?

Mr. SCHLEY. No, sir.

Mr. LITTLETON. I am only trying to state the result of your evidence, and wherever I am wrong about it, I want you to correct me. Why was the second syndicate formed?

Mr. SCHLEY. The general impression and arguments I advanced were I thought it would be profitable to the people who entered into the purchase.

Mr. LITTLETON. In other words, it was a good thing to do?

Mr. SCHLEY. Yes.

Mr. LITTLETON. The stock at 120 or 130, whichever it was, 50,000 shares, you thought was a good investment for the people who bought it?

Mr. SCHLEY. No; I thought that by bringing the company out to its earning capacity, that the future of it would be one of considerable prosperity, something to hang on to.

Mr. LITTLETON. Of course, it would require the expenditure of a great deal of money to develop the plant?

Mr. SCHLEY. An enormous sum.

Mr. LITTLETON. Now then, after the second syndicate had been formed and the stock purchased, the old syndicate and the second syndicate combined, owned about 168,000 shares?

Mr. SCHLEY. Yes; plus——

Mr. LITTLETON (interposing). Plus the new shares they had subscribed to and had paid for.

Mr. SCHLEY. Yes.

Mr. LITTLETON. Now, these 168,000 shares were not being handled by Moore & Schley as a firm of brokers?

Mr. SCHLEY. In reading the testimony that has been before your committee in the last few days, what you call free stock and syndicate stock is hardly applicable practically to the then condition. For example, I had a certain amount of stock and I put it in Moore & Schley's office, and a number of the owners of that stock put it in Moore & Schley's office, and they borrowed money on that stock, and that stock was just the same as what you would call free stock in the street. There was no specific 118,500 shares of stock set off in a corner, because part of that stock was taken by the individual owners, put into different brokers' offices, our own as well as others, and that became what you would call free stock.

Mr. LITTLETON. Now, let me make it as plain as I can. There were 118,000-odd shares bought under the original syndicate and controlled by the syndicate agreement?

Mr. SCHLEY. Controlled by the individuals, the shares were.

Mr. LITTLETON. Under the arrangement which is expressed in the syndicate agreement?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Of which you and Mr. Hanna were the managers?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. And each man was expected to abide by that agreement?

Mr. SCHLEY. It was expected he should hold his control and ownership of the shares.

Mr. LITTLETON. Now, that stock was what we call, for the sake of convenience, syndicate stock?

Mr. SCHLEY. You may call it that, but you can not put it off in a corner, with all its ramifications, in a business way.

Mr. LITTLETON. I do not care about that. What I am trying to do is to differentiate it from the other stock. Later on you bought 50,000 additional shares with a new syndicate, composed of some of the old men and some new men. Was there a syndicate agreement controlling that purchase?

Mr. SCHLEY. Yes; practically the same as the other.

Mr. LITTLETON. Who were the syndicate managers of that purchase?

Mr. SCHLEY. Mr. Hanna and Mr. Schley.

Mr. LITTLETON. The same as before?

Mr. SCHLEY. Yes.

Mr. LITTLETON. That practically meant the 168,000 shares, if I am correct in my figures, was under an arrangement by which each man would abide by the syndicate agreement?

Mr. SCHLEY. Yes.

Mr. LITTLETON. And keep the control of his syndicate ownership of that stock?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Now, in addition to the 168,000 shares—and for a moment turning your mind to that matter—was there any what

I call free stock on the market in the hands of other brokers which was not controlled by these syndicate agreements, or either of them?

Mr. SCHLEY. There must have been a considerable amount.

Mr. LITTLETON. About how much?

Mr. SCHLEY. I could not state that.

Mr. LITTLETON. Well, there were 168,000 shares that we can account for under the two syndicate agreements.

Mr. SCHLEY. Yes.

Mr. LITTLETON. There was finally about 290,000 shares of the capitalization.

Mr. SCHLEY. Yes; 294,000; I believe.

Mr. LITTLETON. Mr. Schley, you can not estimate the amount of outstanding free stock that was about the street; outside of the two syndicates mentioned, about how much stock was out?

Mr. SCHLEY. I would have to take a pencil and figure that out.

Mr. LITTLETON. As Representative Beall suggests, it would be the difference——

Mr. SCHLEY (interposing). The difference between 168,000 shares plus the amount that had been taken from the sales of the stock at par, and the total.

Mr. LITTLETON. Did these men who bought the stock at 130—if that be the right figure—pay cash for it?

Mr. SCHLEY. The syndicate had nothing to do with the purchase of that stock. They paid for their stock.

Mr. LITTLETON. I understand that, but did the men who bought the stock pay cash for it?

Mr. SCHLEY. I suppose they could not get it without they did pay for it.

Mr. LITTLETON. What I am getting at is whether they paid for it or left it as a pledge?

Mr. SCHLEY. Most of them probably borowed money on it afterwards, but they are two transactions. They could not receive the stock unless they paid for it.

Mr. LITTLETON. As I understand the transaction in the broker's office, if I come to your office and give an order for the purchase of stock, with a margin of 10 or 20 per cent, your firm executes the order and the stock is pledged, practically, and you have the right to hypothecate the stock if you want to.

Mr. SCHLEY. I never so regarded it. If you came to my office and bought 100 shares of Lake Shore, say at par, and I bought it for you, I hand you the certificate and I charge you $12.50, the commission which I am obliged to accept, because the board demands it, and you take that certificate and, when going out of the door you say, "I am going up to the bank and borrow some money on this stock," I say, "You need not do that. I will lend it to you," and you say, "What will you lend me?" and I say, "I will lend you 80 on it." "What rate of interest?" "Four per cent." "All right." and you give me back the stock and I give you $8,000.

Now, every time a man buys 100 shares of stock on a margin, that operation is gone through with, and they are two separate transactions. There is no such thing as a margin.

Mr. LITTLETON. And when you have loaned him the 80, which is, expressing it in a shorter way, as it is expressed on the street——

Mr. SCHLEY (interposing). Yes; and I tell him if the stock goes down to 90, I can not lend him but 70.

Mr. LITTLETON. At all events, the stock, under those circumstances, is subject to your rehypothecation, if you choose to do so?

Mr. SCHLEY. That is understood.

Mr. LITTLETON. And that is the common practice?

Mr. SCHLEY. That is the agreement, of course.

Mr. LITTLETON. And afterwards, if he does not pay or if he defaults in any way, you sell the stock as a pledge, after notice?

Mr. SCHLEY. The same as any bank, except the bank makes everybody sign an ironclad note, which an ordinary broker does not do.

Mr. LITTLETON. Now, did these men who bought the 50,000 shares go through the transaction which you have just described—buy it and partly pay for it and borrow money from the brokers upon it at a certain rate of interest and leave the stock hypothecated for the loan?

Mr. SCHLEY. Probably, as I remember it. It would be the natural way. Moore & Schley took in the 50,000 shares of stock and allotted it to the different people to whom it belonged on their books, and if they had an account in the office it was put into their account. Those who did not have an account paid us the cash the next day and took it to some other office or put it in their boxes, as the case may have been. The regular course of business was followed.

Mr. LITTLETON. What I am trying to find out is whether the stock was carried upon loans from Moore & Schley, largely, or was it largely paid for and taken away?

Mr. SCHLEY. A considerable portion of that second lot was carried on loan, and some of it with Moore & Schley afterwards. We loaned them money on the stock afterwards.

Mr. LITTLETON. I take it that Moore & Schley, in turn, used the stock along with other securities they had in negotiating their loans.

Mr. SCHLEY. That is right.

Mr. LITTLETON. So that a part of that block of 50,000 shares found its way into the loans of Moore & Schley in various banks?

Mr. SCHLEY. That is right.

Mr. LITTLETON. Do you know what proportion of it Moore & Schley did have?

Mr. SCHLEY. I could not tell you that.

Mr. LITTLETON. Was it one-half of the 50,000 shares?

Mr. SCHLEY. I should think so. I say I should think so, but I would have to verify that. I could not give you the exact figures. However, from memory I should say that was true.

Mr. LITLETON. You say you think that it is true?

Mr. SCHLEY. I think that is about right.

Mr. LITLETON. Well, according to your present recollection at the present moment, without having the books before you, fully half of the 50,000 shares was left with Moore & Schley, and money loaned to the men who had subscribed the stock, and in turn that stock in the usual way was hypothecated along with other securities by Moore & Schley in making their various loans at various banks?

Mr. SCHLEY. That is right.

Mr. LITTLETON. So, roughly speaking, there would be about 25,000 shares that could be said to have been in their possession?

Mr. SCHLEY. Yes.

Mr. LITTLETON. How much do you think at that time of the stock of the Tennessee Coal & Iron Co. Moore & Schley had loaned money on to their customers and had in turn hypothecated with their other securities in making loans for themselves?

Mr. SCHLEY. I could only estimate that.

Mr. LITTLETON. Well, give us the best estimate you can.

Mr. SCHLEY. I should say we had approximately 150,000 shares.

Mr. LITTLETON. One hundred and fifty thousand shares?

Mr. SCHLEY. One hundred and forty thousand or 150,000 shares on our books subject to loan.

Mr. LITTLETON. You say "subject to loan," and those short phrases sometimes we do not understand.

Mr. SCHLEY. Well, upon which stock our customers were borrowing money.

Mr. LITTLETON. I suppose you would not mind if I put it in another way, in a homely way, so it could be understood by a man outside of the Street. You mean there was at least 150,000 shares on which your customers had paid a margin or a portion, 10 or 15 or 20 per cent, and you had loaned them the money——

Mr. SCHLEY (interposing). No; I do not mean to say that.

Mr. LITTLETON. Well, that is what I want to know—just what happened.

Mr. SCHLEY. I had stock of my own, which I had a perfect right to borrow money on in those days, but aside from that your statement is true.

Mr. LITTLETON. I mean leaving out your own stock, taking the ordinary case of the customer who had bought the stock, had not paid in full for it, but had paid a margin, and the balance had been loaned to him, and you had taken and loaned him the additional money above his margin, and you had yourself rehypothecated the stock in your loan?

Mr. SCHLEY. That is right.

Mr. LITTLETON. Do you think you had as much as 150,000 shares on which you or your firm had borrowed money?

Mr. SCHLEY. Our firm had not borrowed on that total; no.

Mr. LITTLETON. That is just what I am trying to find out.

Mr. SCHLEY. We had borrowed on about 100,000 to 105,000 shares.

Mr. LITTLETON. Your firm?

Mr. SCHLEY. Yes; as a firm. But we always had other stock loose in our box that we did not borrow on and that we could not borrow on.

Mr. LITTLETON. You mean other Tennessee Coal & Iron stock that was bought outright?

Mr. SCHLEY. Yes.

Mr. LITTLETON. So that your firm had loaned, or rather had borrowed from banks, on Tennessee Coal & Iron stock to the extent of about 100,000 to 105,000 shares?

Mr. SCHLEY. It was a very fluctuating amount. Some days it would be more and some days it would be less.

Mr. LITTLETON. Of course, your loans would be decreased or increased according to the demands of business?

Mr. SCHLEY. Yes.

Mr. LITTLETON. I am trying to find out to what extent Tennessee Coal & Iron stock entered in as collateral with the loans your firm had made with other banks?

Mr. SCHLEY. I would like to make a little statement which will perhaps clear up the character of the Tennessee Coal & Iron borrowing. Tennessee Coal & Iron had no force with bankers at that time as a collateral. The fluctuations were irregular and infrequent. Mr. Kessler's name had been mixed up with it to an extent, and banks would not take Tennessee Coal & Iron of itself in loans. There was no banker who would take a thousand shares of it as the basis for a loan and give you hardly anything on it. But I was borrowing enormous sums of money, $200,000 here, $300,000 there, and $500,000 and $100,000, and our regular method of borrowing was to borrow on, say 70 per cent of railroad, very active regular stock, and 30 per cent of industrials. Now, in all those loans which were spread about all over New York and Philadelphia, and wherever our friends were, according to our regular method, we would distribute in those loans as much as was reasonably fair, calling the Tennessee Coal & Iron an industrial, and having 200 or 300 shares or 500 shares in some loan at 50 or 60, and in those days we had the habit, when we were pressed in that way, of keeping our credit as strong as we could, and in every loan we put up we included 30 to 35 per cent margin. All through 1907 that was so. And when we put in Tennessee Coal & Iron it gave very little return. We put it in at 96 or 90, or 80, and then 30 per cent off brought it down to 50 and even less, and there were no specific Tennessee Coal & Iron loans.

Mr. LITTLETON. Were there loans solely supported by Tennessee Coal & Iron stock?

Mr. SCHLEY. No; I do not think we had a single loan of that character. If we did, it would be a special one, and we would have to pay an enormous interest, which I never liked to do. It was spread around and was a part of the 30 per cent of industrials, and you can not specifically say you could take the Tennessee stock out of the loans of Moore & Schley and put something else in its place. We called that the sweetening of the loan—raising up the total value to the satisfaction of the banker.

Mr. LITTLETON. When did you begin to make loans in the manner which you have described?

Mr. SCHLEY. All my life.

Mr. LITTLETON. I mean with reference to Tennessee Coal & Iron?

Mr. SCHLEY. I have always made them in that way, and used Tennessee Coal & Iron like any other industrial. I had Republic Steel common, and I had various other industrial stocks which we put in, in this 30 per cent.

Mr. LITTLETON. What I wanted to get at was, was it always true that the banks would not make a strictly Tennessee Coal & Iron loan?

Mr. SCHLEY. When money is very easy and the banks want to make a loan, they would be very apt to consider then the credit of the party.

Mr. LITTLETON. In 1905 did you make any loans strictly on Tennessee Coal & Iron stock?

Mr. SCHLEY. I do not remember. Certainly not during this period.

Mr. LITTLETON. In 1905 or 1906?

Mr. SCHLEY. In 1906 and 1907 times got hard. I can not imagine any executive committee of a bank, meeting in ordinary times once a week, in these times, every day—they will go to their executive officer and scan every loan and say, "We had better not have that Tennessee in that loan." I got cables from London about our condition and to be very careful what we did with this stock, and the executive officer had to comply with those rules. Therefore I do not know how a bank in those days could lend money on Tennessee Coal & Iron as single collateral when there was no market for Tennessee Coal & Iron.

Mr. LITTLETON. Then the substance of the situation was that Tennessee Coal & Iron entered into Moore & Schley's loans?

Mr. SCHLEY. Largely, in that way.

Mr. LITTLETON. To the extent of about 30 per cent of the loan itself?

Mr. SCHLEY. Oh, no; because I had other industrials in that 30 per cent. I did not make up that 30 per cent all of Tennessee Coal & Iron. If a loan of $200,000 was made 70 per cent of it would be railroad stock.

Mr. LITTLETON. And 30 per cent would be industrial?

Mr. SCHLEY. Yes.

Mr. LITTLETON. And a part of the 30 per cent would be Tennessee Coal & Iron stock?

Mr. SCHLEY. Yes; 500 shares or 200 shares.

Mr. LITTLETON. Roughly, how much of the 30 per cent would the Tennessee Coal & Iron form?

Mr. SCHLEY. I could not answer that question. That would largely fit the loaner's general condition. Some of them would not have any. We would get in as much as we could.

Mr. LITTLETON. You made it serve as the sweetness among the industrials as far as it would serve?

Mr. SCHLEY. As far as we could make it go.

Mr. LITTLETON. How much money had Moore & Schley borrowed to support which the Tennessee Coal & Iron was a part of the collateral?

Mr. SCHLEY. We were borrowing varying amounts, thirty-five to forty millions, along in there; about thirty-eight millions.

Mr. LITTLETON. You say Moore & Schley had borrowed about $35,000,000?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Was Tennessee Coal & Iron stock a part of all those loans or simply a part of some of them.

Mr. SCHLEY. We had Tennessee Coal & Iron in such loans as I speak of. There were other loans where we did not have any Tennessee Coal & Iron.

Mr. LITTLETON. You estimated before the Senate committee, roughly, that you thought about five or six million dollars might be said of the borrowings of Moore & Schley to have been in part supported as collateral by Tennessee Coal & Iron stock?

Mr. SCHLEY. That I ascertained before I went to Washington that day by looking over our stock ledger and finding we had in loans in varying amounts—90,000 to 105,000 shares of Tennessee—and knowing the general method of the amount we would borrow, naturally, in those loans, I calculated 50 per cent; 50 per cent was about all we would average on the stock, possibly less than that or possibly a little more.

Mr. LITTLETON. So you simply took the total number of shares as shown on your books to be a part of the loan, and figured that 50 per cent would be the amount you were borrowing?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Now, the result of your statement amounts to this, does it not, Mr. Schley: Of the loans which Moore & Schley had with other banks, Tennessee Coal & Iron was a part of the 30 per cent of industrial which, in addition to the 70 per cent of, say, railroad, made up the collateral for the loan?

Mr. SCHLEY. They were in with the industrials.

Mr. LITTLETON. In large or small degree, according as you could get it?

Mr. SCHLEY. Yes.

Mr. LITTLETON. And they were valued in those loans, to whatever extent they were a part of them, at about 50 or 60?

Mr. SCHLEY. Along in there.

Mr. LITTLETON. So that if you put up 500 shares along with the 30 per cent in a loan you would get——

Mr. SCHLEY (interposing). Twenty-five thousand dollars. My cashier had absolute instructions that no bank should have less than 30 per cent margin, and clerks were up until 4 or 5 o'clock at night every time the market broke, and no bank was permitted to call upon us. We sent down the next morning enough margin to keep it above that 30 per cent. The next day the price might go up, and in that event we would immediately have 40 or 50 per cent margin in the loan.

Mr. LITTLETON. In other words, all the banks you did business with were provided with 30 per cent margin constantly by Moore & Schley?

Mr. SCHLEY. Yes; and in that event, calling it 30 per cent, if we borrowed $100,000 we had $130,000 in collateral, and if we borrowed $500,000 we had $650,000 collateral in the loan, and 70 per cent of that $650,000 was in railroad and 30 per cent in industrial.

Mr. LITTLETON. It would be impossible for you to give any accurate idea of how much of the 30 per cent of industrials the Tennessee Coal & Iron constituted?

Mr. SCHLEY. It would be absolutely impossible because it was as varying as the wind.

Mr. LITTLETON. Were all of the loans of Moore & Schley substantially as you have described?

Mr. SCHLEY. Yes.

Mr. LITTLETON. You had a large loan with Morgan & Co.?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Do you remember the amount of that loan?

Mr. SCHLEY. I do not. I think a million and a half or two million—something like that.

Mr. LITTLETON. Was that loan with Morgan & Co. supported in substantially the manner you have described.

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. Do you know how much Tennessee Coal & Iron entered into that loan?

Mr. SCHLEY. I do not remember that.

Mr. LITTLETON. No more than the usual percentage of industrials, I take it.

Mr. SCHLEY. As I remember, I think Morgan was inclined to be liberal with Tennessee. He used to watch that.

Mr. LITTLETON. You also had a loan with the First National Bank?

Mr. SCHLEY. Yes.

Mr. LITTLETON. That was a rather large loan?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Do you remember how much it was?

Mr. SCHLEY. I think our aggregate loans with the First National were over $2,000,000, but that was a fluctuating quantity. It would be three millions one day and a million and a half the next.

Mr. LITTLETON. But, roughly speaking, you had about $2,000,000 of loans with the First National?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Was that loan substantially made in the manner you have described the other loans to have been made?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Are you able to state how much Tennessee Coal & Iron entered into the 30 per cent of that loan?

Mr. SCHLEY. No.

Mr. LITTLETON. Your books would show it, I take it.

Mr. SCHLEY. They show it one day different from another.

Mr. LITTLETON. But your books would show that?

Mr. SCHLEY. I say my books would show it one day different from another day.

Mr. LITTLETON. But they would show the real transactions?

Mr. SCHLEY. Absolutely. My books are correct.

Mr. LITTLETON. Mr. Schley, on that point, I suppose your books will show in all these loans the fluctuations from day to day, the amount of collateral, the kinds of collateral, and the percentage of collateral?

Mr. SCHLEY. Absolutely.

Mr. LITTLETON. Who was your bookkeeper at that time?

Mr. SCHLEY. Mr. Tierney.

Mr. LITTLETON. Is Mr. Tierney now employed by you?

Mr. SCHLEY. He is my partner now.

Mr. LITTLETON. And he is here in the city?

Mr. SCHLEY. Yes.

Mr. LITTLETON. I suppose all those books that contain a record of that transaction are available, if it should become necessary to examine them?

Mr. SCHLEY. I should not think they ought to be available.

Mr. LITTLETON. I do not mean in the sense that we ought to do that; but they are physically available?

Mr. SCHLEY. They are in my office.

Mr. LITTLETON. I do not mean to call on you now for your books.

Mr. SCHLEY. No; I should think that was far from your main purpose.

Mr. LITTLETON. For instance, I do not quite know whether the firm has gone on, or how long it went on, or what happened.

Mr. SCHLEY. It is still there.

Mr. LITTLETON. I only meant to inquire whether the books were physically within reach.

Mr. SCHLEY. Yes.

Mr. LITTLETON. Now, referring to this syndicate stock, I will call it, under these two agreements, was there any subsequent purchase or subsequent syndicate to the second one?

Mr. SCHLEY. No.

Mr. LITTLETON. Was there a considerable amount of the stock outside of the two syndicates bought through the firm of Moore & Schley, what I would call free stock?

Mr. SCHLEY. I had bought some for myself, and Mr. Kessler had some.

Mr. LITTLETON. Do you know how much Mr. Kessler bought?

Mr. SCHLEY. At the time the transfer of the first allotment from Kessler to Moore & Schley, and their distribution to the subscribers to the syndicate——

Mr. LITTLETON (interposing). The second syndicate?

Mr. SCHLEY. The first syndicate. Mr. Kessler sent in 27,000 shares, as I remember, additional to the amount we needed to supply the syndicate holders, and 10,000 of that would apply on his syndicate allotment, which left about 17,000 shares to his own private account. I never did business for Kessler in any way, before nor since, in buying and selling securities in a speculative way, to the extent of one share. Our relationship was confined to the Tennessee Coal & Iron matter. At that time I thought he was a very wealthy man, and he was. I had evidence of it; and he told me that in a few days he would bring in ample protection for it or give me another name for it, which I wanted him to do so I could deliver it to some other firm. But his troubles came very rapidly, and his promises were not fulfilled, and that 27,000 shares stayed there. I had it in my mind that I would like to have 25,000 shares of Tennessee Coal & Iron, and I had bought 12,000 shares after the syndicate purchased, costing me between 120 and 130, and that I had in hand. I had 22,000 or 24,000 or 25,000 shares.

Mr. LITTLETON. Individually?

Mr. SCHLEY. Individually, including my syndicate stock, which I can not subdivide and put off in a corner the way you do. Mr. Kessler had 27,000 shares, including his 10,000 shares, on which he was borrowing money, and which was perfectly free to be used by Moore & Schley. Then Mr. Kessler, I understood, had 5 or 6 other accounts, or 8 or 10 other accounts, around the Street, and in those accounts were Tennessee Coal & Iron, and they distressed him during that period. They distressed me also. I would hear from him that the brokers found it difficult to borrow money on their Tennessee and were calling upon him to take it up all the time. Now that was the condition which ruled all along and that was Kessler's condition. Outside of my office I think there were 10 or 12 accounts he had.

Now I suppose you can investigate a long time, but you will not find out anything but just that, Mr. Littleton, about the situation of that stock.

Mr. LITTLETON. Did you know how much Tennessee Coal & Iron entered into his outside account, outside of your office?

Mr. SCHLEY. I do not. I remember now calculating there were about twenty-five to thirty thousand out at that time, but that grew less all the time.

Mr. LITTLETON. Were the 50,000 shares of the second syndicate composed of Kessler's stock and your stock? You say he had about 27,000 shares.

Mr. SCHLEY. I am not very clear as to where that 50,000 all came from. I know I put in some portion of it, and Mr. Kessler also. I do not recall exactly about that, because I have not had it in my mind for four years, and I have not been at my office in three months.

Mr. LITTLETON. You can see how I naturally came to that conclusion, because you say you got up the second syndicate.

Mr. SCHLEY. I did.

Mr. LITTLETON. And Kessler sold some stock to the second syndicate, and you say he left 27,000 shares in your office, and you say you had 25,000 shares, and that would about make up the 50,000 shares necessary to form that syndicate.

Mr. SCHLEY. Well, Mr. Littleton, that was all changed. There was some that came into my account and into Kessler's account with the increase of the stock, and also certain stock I had bought at different times.

Mr. LITTLETON. What was the occasion for the second syndicate?

Mr. SCHLEY. The occasion for the second syndicate was to enlarge it, if possible, and carry this thing out and make it go, and I believed in it.

Mr. LITTLETON. Who may be said to have organized the second syndicate?

Mr. SCHLEY. I think I had as much to do with it, perhaps, as anybody.

Mr. LITTLETON. Did Mr. Kessler have anything to do with it?

Mr. SCHLEY. There was no organization about it. It was a request for subscriptions to stock.

Mr. LITTLETON. Well, who got it up?

Mr. SCHLEY. Somebody asked somebody else to subscribe for stock, and they did so.

Mr. LITTLETON. Do you know where the stock came from that passed into the hands of the second syndicate?

Mr. SCHLEY. I can find out. I am telling you now that I do not remember.

Mr. LITTLETON. Certainly a large part of Kessler's stock passed into their hands?

Mr. SCHLEY. Some portion of it.

Mr. LITTLETON. You said at the outset that Kessler was somewhat in distress and he furnished some of the stock to the second syndicate composing the 50,000 shares?

Mr. SCHLEY. That is right.

Mr. LITTLETON. Do you know how much of your 25,000 shares went in?

Mr. SCHLEY. A very small amount of mine.

Mr. LITTLETON. About what date was it that the second syndicate was all wound up; that is, the stock subscribed and hypothecated or paid for.

Mr. SCHLEY. There was no syndicate in that sense, Mr. Littleton. The syndicate had no control of that stock. The individuals held their stock all through.

Mr. LITTLETON. Well, I am not trying to make any point out of that.

Mr. SCHLEY. I understand that.

Mr. LITTLETON. If I use language which is inaccurate, I would be glad for you to correct me. I am trying to find out when the second 50,000 shares was paid up under the arrangement you have already described in your own language.

What date was it when the stock had been bought and the matter completed as a purchase?

Mr. SCHLEY. I thought you meant the sale. I can not give you that date.

Mr. LITTLETON. Was it in 1906?

Mr. SCHLEY. I can not give you the date.

Mr. LITTLETON. Can you not give me the year?

Mr. SCHLEY. No; I would not say positively.

Mr. LITTLETON. It must have been a good while before the panic, was it not?

Mr. SCHLEY. Oh, yes.

Mr. LITTLETON. There were no panic times then?

Mr. SCHLEY. No.

Mr. LITTLETON. You were paying 130 for Tennessee Coal & Iron, and that would not be a panic price?

Mr. SCHLEY. No.

Mr. LITTLETON. What happened after the purchase of the second 50,000 shares in the development of the Tennessee Coal & Iron Co.? Was any more stock bought that you know of?

Mr. SCHLEY. Yes; I bought stock, and so did Kessler. I bought stock and had considerable more holdings. Some of Mr. Kessler's customers threw it over on the market, and various other people appeared, and I felt a responsibility, and although I had the syndicate agreement which you saw and which you have read, I never mentioned to any of our people that they ought to buy stock. I did it myself, and I took securities out of my box which I valued very highly and with much sentiment, and sold them and bought it in to protect what I believed in; and Mr. Kessler was very fair about it, too; and I tried to get some parties to buy 50,000 shares at 110 or at par. I would have given them my stock, which cost me 130 or 140. There was a condition and a situation there of panic, of great distress, and of unusual conditions. They were unusual affairs, and you can not figure it down to an abstract A B C condition. The word panic—if you will look in the dictionary you will find its definition—and a panic was raging through the Street.

Mr. LITTLETON. I am not speaking of the time of the panic. I had not come to that. To make my question more definite, I will ask you: Did Kessler or any other customer who had bought stock through Moore & Schley, so default in the payment of their margins

or the calls made on them, that Moore & Schley had to take the stock?

Mr. SCHLEY. Moore & Schley never owned any.

Mr. LITTLETON. They did not own any?

Mr. SCHLEY. And if they had taken it they would have owned it.

Mr. LITTLETON. You never took any stock that had been thrown back?

Mr. SCHLEY. Moore & Schley never did.

Mr. LITTLETON. Did you?

Mr. SCHLEY. Oh, no. I do not know of any who did. What do you mean by somebody defaulting. I have not heard of anybody defaulting. I have not known of anybody defaulting.

Mr. LITTLETON. Well, I am asking you that. I do not know of any, I am sure.

Mr. SCHLEY. Well, I will say that nobody defaulted, if you ask me that question.

Mr. LITTLETON. I asked you if somebody who had bought Tennessee Coal & Iron Co. stock through Moore & Schley failed to pay for it or to take it up, or pay the loans they got on it, and if you bought it in that way?

Mr. SCHLEY. Failed to pay when they were called upon?

Mr. LITTLETON. Yes.

Mr. SCHLEY. And then did Moore & Schley take it or did I take it?

Mr. LITTLETON. Well, answer one question at a time. Did anybody fail to pay the loan they got on Tennessee Coal & Iron—any of your customers?

Mr. SCHLEY. Nobody we ever called upon.

Mr. LITTLETON. Did they forfeit their stock?

Mr. SCHLEY. No.

Mr. LITTLETON. At any time?

Mr. SCHLEY. No.

Mr. LITTLETON. Just prior to the panic, how much stock did you have of the Tennessee Coal & Iron Co.?

Mr. SCHLEY. In 1907?

Mr. LITTLETON. Yes. I understand Moore & Schley never had any stock of the Tennessee Coal & Iron Co.

Mr. SCHLEY. Moore & Schley never owned any stock of the Tennessee Coal & Iron Co.

Mr. LITTLETON. I say I understand that to be the fact.

Mr. SCHLEY. Moore & Schley are not speculators. They do not own securities.

Mr. LITTLETON. I will ask you the direct question—how much stock did you have as an individual?

Mr. SCHLEY. I had originally about 22,000 shares, and when they got to going along I took up about 38,000 or 39,000 shares in 1907.

Mr. LITTLETON. How did you take the stock?

Mr. SCHLEY. I bought it in the market when it was over pressed on the market.

Mr. LITTLETON. Mr. Schley, what do you mean by that?

Mr. SCHLEY. Just what I say. I bought it in the market.

Mr. LITTLETON. You said something about "when it was over pressed."

Mr. SCHLEY. When the market was over pressed with stock.

Mr. LITTLETON. You bought it to protect your own stock?

Mr. SCHLEY. That is right.

Mr. LITTLETON. And to keep the market from breaking?

Mr. SCHLEY. Yes.

Mr. LITTLETON. And under that impulse you bought about 38,000 or 39,000 shares?

Mr. SCHLEY. Yes.

Mr. LITTLETON. So you were the owner of about that many shares prior to the panic?

Mr. SCHLEY. That is right.

Mr. LITTLETON. How many shares did Kessler own?

Mr. SCHLEY. He owned a little more than I did, 42,000 or 43,000 shares at that time.

Mr. LITTLETON. That is, just prior to the panic?

Mr. SCHLEY. Yes; that is, as I remember it. I think that is right.

Mr. LITTLETON. Were those shares outside of these syndicate arrangements?

Mr. SCHLEY. They belonged to us individually. They had nothing to do with the syndicate.

Mr. LITTLETON. Were they in addition to the 168,000 shares we have been talking about?

Mr. SCHLEY. Oh, yes.

Mr. LITTLETON. So that, roughly speaking, there were about 80,000 shares between you and Kessler?

Mr. SCHLEY. That is about right.

Mr. LITTLETON. In addition to the 168,000 shares——

Mr. SCHLEY (interposing). You would have to take from that 14,000 shares apiece of Kessler's and mine included in that amount.

Mr. LITTLETON. In other words, there were about 14,000 shares each which Kessler and you had which ought to be included in the 168,000 shares?

Mr. SCHLEY. Yes.

Mr. LITTLETON. And when you take that out and charge it up to the syndicate stock, so to speak, the balance was outside and in addition to the 168,000 shares?

Mr. SCHLEY. That is right.

Mr. LITTLETON. About 53,000 shares in addition to the 168,000?

Mr. SCHLEY. Well, have you added in all the increases of stock?

Mr. LITTLETON. I have not, because I have not gotten to that.

Mr. SCHLEY. There were three increases of stock, you know.

Mr. DANFORTH. Was the third increase issued?

Mr. SCHLEY. No; the third was in course of issue.

Mr. DANFORTH. It had not been paid for?

Mr. SCHLEY. No.

Mr. LITTLETON. Before the third issue was made there were about 222,500 shares?

Mr. SCHLEY. Before the third issue there were 294,000 shares about.

Mr. LITTLETON. Now, let us see if this is right. As Representative Danforth suggests, the total original stock was 225,000 shares?

Mr. SCHLEY. That is about right. I think it was a little less than that. There was a 15 per cent call on that, and again a 15 per cent call, which brought it up to $29,400,000.

Mr. LITTLETON. Or about 297,600 shares.

Mr. SCHLEY. That is about it.

Mr. LITTLETON. The first syndicate had about 118,500 shares?

Mr. SCHLEY. Yes; that had been increased thereafter by 30 per cent; there were two calls of 15 per cent.

Mr. DANFORTH. The syndicate took the entire first increase?

Mr. SCHLEY. No; they took their proportion and Mr. Kessler took all of his proportion.

Mr. LITTLETON. Each stockholder was allowed to take his share, and they did take it, according to the evidence.

Mr. SCHLEY. Yes. And to be just as fair as can be to Mr. Kessler, he took every one of his allotments, and besides that, at the end, he would have sold his stock at 110 or at par at any time to have relieved this situation.

Mr. LITTLETON. Now, Mr. Schley, take the amount of stock that was in the syndicate's hands and add to it the amount you and Kessler had just prior to the panic and tell us roughly how much there was of that stock.

Mr. SCHLEY. Outstanding?

Mr. LITTLETON. No; add to the sum of what the two syndicates had the stock you and Mr. Kessler had.

Mr. SCHLEY. Mr. Kessler had other stock outside.

Mr. LITTLETON. Do not let us get away from this one point: You said he had about 42,000 shares of Tennessee Coal & Iron prior to the panic, and that you had 38,000 or 39,000 shares, and 14,000 shares of what each of you had is to be charged into the syndicate stock, representing the ownership of each of you in the syndicate.

Mr. SCHLEY. Yes.

Mr. LITTLETON. Now, I want to know, taking the syndicate stock of both syndicates, and what you and Mr. Kessler owned outside of your syndicate ownership, how much the total was?

Mr. SCHLEY. That is a matter of calculation.

Mr. LITTLETON. Will you make a rough calculation in your mind and give it to us?

Mr. SCHLEY. As I calculate it, mentally, it comes to within 20,000 or 30,000 shares of the total outstanding stock.

Mr. LITTLETON. Twenty or thirty thousand shares of the total outstanding stock?

Mr. SCHLEY. I think that is a little too low. Forty or fifty thousand, perhaps.

Mr. LITTLETON. Within 40,000 or 50,000 shares of the total outstanding stock?

Mr. SCHLEY. Now, you know I am not testifying to this as a fact.

Mr. LITTLETON. I understand that, and we are not going to hold you to an approximation of what you calculate from memory.

Mr. SCHLEY. It is not a question of memory. You asked me to do some mental calculating in my head.

Mr. LITTLETON. I am asking you to give us that information as fairly as I can, and if you can not accept in that way I can not help it.

Mr. DANFORTH. The purchase by the syndicate of their share of the first issue of stock was 17,775 shares?

Mr. SCHLEY. Yes.

Mr. DANFORTH. The syndicate's purchase of the second increase of stock amounted to 19,441 shares?

Mr. SCHLEY. Yes.

Mr. DANFORTH. And then the second syndicate purchased 50,000 shares, which makes a total of 205,716 shares.

Mr. SCHLEY. I do not know. They took some of their new allotment, and you want to take that into consideration to get it accurately.

Mr. DANFORTH. But the second syndicate consisted of 50,000 shares flat?

Mr. SCHLEY. No; that was increased by the issue of new stock, but I can not give you the date.

Mr. DANFORTH. You do not know the dates of the two issues of stock?

Mr. SCHLEY. No; and that makes a difference.

Mr. DANFORTH. If the second syndicate originated or was formed before the first or second increase, then the second syndicate would also be increased by those new issues?

Mr. SCHLEY. Yes.

Mr. DANFORTH. And that you can not tell us about?

Mr. SCHLEY. No.

Mr. DANFORTH. Omitting that possible increase by the purchase of the first and second increase of new stock, these purchases, the original syndicate, the second syndicate, and the increase of 15 per cent of new stock twice on 118,500 shares, would amount to 205,716 shares, would it not?

Mr. SCHLEY. Yes.

Mr. DANFORTH. And the total issue of stock would amount to 297,562 shares?

Mr. SCHLEY. That is right.

Mr. DANFORTH. Now, you think that the syndicates had purchased or had acquired by subscription more of the new issues than I have here stated?

Mr. SCHLEY. The syndicate?

Mr. DANFORTH. The second syndicate?

Mr. SCHLEY. The syndicate did not acquire anything.

Mr. DANFORTH. I refer to the members of the syndicate.

Mr. SCHLEY. They may have bought in the open market—some of them—stock besides that. To my mind the situation is a little different from that. Mr. Hanna and myself went around to these different individuals, and every one of them said, "Yes; I will go along with you," and it took us a day or two—most of it was done over the phone—and then after a week's time, when we got through, Leonard said, "We have got to have a proper paper drawn up here, because some one man might run away, and it ought to be in such form that we can control it in case one man runs away," and that paper was prepared and we sent it around, and they all signed it, and I do not suppose they read it. It was done on the basis that we were all friendly people and everything was going along all right.

Mr. DANFORTH. Now let me ask you this question. We have accounted for the ownership, we will say, by your party of friends of 205,716 shares?

Mr. SCHLEY. Yes.

Mr. DANFORTH. At least that amount. At the time of the sale of this property or the sale of this stock there had been issued 297,562 shares?

Mr. SCHLEY. Yes.

Mr. DANFORTH. The difference between those two figures is 91,846 shares. How many of those 91,000 odd shares did the syndicate or syndicates, or your party of friends—however you wish to designate yourselves—own at the time you disposed of your holdings?

Mr. SCHLEY. I do not believe the syndicate as a syndicate——

Mr. DANFORTH. I refer to the members of the syndicate, you and your friends.

Mr. SCHLEY. Well, Mr. Kessler and myself held the most of it, unfortunately.

The CHAIRMAN. Most of the free stock not under the control of these syndicate agreements?

Mr. SCHLEY. All that the two syndicates did not have, all that was outstanding besides what was held by the two syndicates, Mr. Kessler and I held the great majority of that.

Mr. LITTLETON. Mr. Schley, what bank, amongst the banks with which you had loans, if any banks, called the loans which were based in part upon Tennessee Coal & Iron or requested the elimination of Tennessee Coal & Iron from the collateral?

Mr. SCHLEY. I can not name any specific bank. It was done frequently by all of them. That would come to my cashier.

Mr. LITTLETON. What is your information as to when the first request was made by any bank that Tennessee Coal & Iron be taken out of the loan and something else be put in its place, if such a request was made?

Mr. SCHLEY. I can not give you the date.

Mr. LITTLETON. Well, was it in 1906 or 1907? It must have been just before the panic, was it not?

Mr. SCHLEY. It might have been at any time, before or after. I do not remember any specific occurrence of the kind. I know, generally, that it was a collateral not acceptable to the banks.

Mr. LITTLETON. Well, was it a collateral which was not acceptable in 1905?

Mr. SCHLEY. It was not a very good collateral then.

Mr. LITTLETON. Or 1906?

Mr. SCHLEY. No.

Mr. LITTLETON. You have described the manner in which it could be used as collateral with the banks.

Mr. SCHLEY. And that is the only way it could be used in 1907 when the panic was going on.

Mr. LITTLETON. How could it be used in 1905 and 1906?

Mr. SCHLEY. They were more liberal when business was normal.

Mr. LITTLETON. Well, they were more liberal in normal times with any kind of stock, were they not, than they were in 1907?

Mr. SCHLEY. Yes.

Mr. LITTLETON. In other words, they tightened up as the demand for money increased and the pressure of the panic grew greater?

Mr. SCHLEY. Yes.

Mr. LITTLETON. In 1905 and 1906, was there any loan wholly supported by Tennessee Coal & Iron?

Mr. SCHLEY. With Moore & Schley?

Mr. LITTLETON. Yes.

Mr. SCHLEY. I do not know of any.

Mr. LITTLETON. You do not know of any?

Mr. SCHLEY. No.

Mr. LITTLETON. And was it your practice in 1905 and 1906 to put in the Tennessee Coal & Iron stock substantially in the manner you have described already, as a part of the 30 per cent of industrial stock?

Mr. SCHLEY. Yes.

Mr. LITTLETON. That was true long before the panic ever came on?

Mr. SCHLEY. That was true of all our industrials.

Mr. LITTLETON. And that was not peculiar to 1907 nor a characteristic particularly of Tennessee Coal & Iron stock?

Mr. SCHLEY. No.

Mr. LITTLETON. Can you give us about the time that there was a distinct demand by any bank that Tennessee Coal & Iron stock, as such, be withdrawn from the collateral and other stock be put in its place?

Mr. SCHLEY. No.

Mr. LITTLETON. Was there ever any such demand made by any bank?

Mr. SCHLEY. Only in a general way. In a general way the same might be said of other stocks of that character.

Mr. LITTLETON. Of other industrial stocks?

Mr. SCHLEY. Yes. Tennessee was especially weak because of the situation in the market, but Republic Steel common, of which I had a great amount at that time, was refused by the banks in the same fashion, but not quite to the same extent that Tennessee Coal & Iron was. I never saw anything specific, especially, in the demands that we had as to Tennessee Coal & Iron.

Mr. LITTLETON. That was true right up to the time of the panic?

Mr. SCHLEY. Yes.

Mr. LITTLETON. In other words, there was no more of a demand that Tennessee Coal & Iron be withdrawn from the collateral than there was of other like industrial stocks which were in the loan?

Mr. SCHLEY. That is right, Mr. Littleton.

Mr. LITTLETON. Was your attention drawn particularly, or was it emphasized in your mind, by reports to you from your cashier that Tennessee Coal & Iron had become obnoxious—if I can use such a word—or unacceptable, suddenly, in the banks?

Mr. SCHLEY. Only in this general way.

Mr. LITTLETON. And that was true right up to the time of the panic?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Was it true that Tennessee Coal & Iron stock had gotten so it would not be accepted in the manner you had been using it? That is, as a part of the 30 per cent of the industrials supporting a loan?

Mr. SCHLEY. We continued it in loans up to the end.

Mr. LITTLETON. Did you make any new ones in the same manner?

Mr. SCHLEY. We had to make new loans every day.

Mr. LITTLETON. Was there, so far as you know, a general demand that Tennessee Coal & Iron be taken out of existing loans and a general refusal to accept Tennessee Coal & Iron in new loans?

Mr. SCHLEY. Not beyond the manner in which I have stated.

Mr. LITTLETON. And there was no difference in 1907 except a more general tightening up on collateral than there had been in 1905 and 1906?

Mr. SCHLEY. No.

Mr. LITTLETON. And as Representative McGillicuddy suggests, there was no difference in that stock than in any other industrial stock of a like kind?

Mr. SCHLEY. No.

Mr. LITTLETON. Do you know whether there ever was a refusal of any bank to accept Tennessee Coal & Iron in the proportion which it had been theretofore used in loans?

Mr. SCHLEY. I do not know of any specific case.

Mr. LITTLETON. I ask you this question at the risk of repetition. Do you know of any case of any bank, just prior to or during the panic, demanding the withdrawal of Tennessee Coal & Iron from any loan?

Mr. SCHLEY. I think that happened.

Mr. LITTLETON. What bank?

Mr. SCHLEY. I could not say.

Mr. LITTLETON. More than one bank?

Mr. SCHLEY. That I could not say. I should think it might have happened several times.

Mr. LITTLETON. Who would know exactly what bank it was?

Mr. SCHLEY. I can know by record.

Mr. LITTLETON. You could look up the record and find out?

Mr. SCHLEY. I could find out for you, and would do so with pleasure. I do not know but what that would be a matter of memory, though.

Mr. LITTLETON. Would your cashier remember?

Mr. SCHLEY. Yes; he might remember.

Mr. LITTLETON. What is his name?

Mr. SCHLEY. Mr. Tierney. He is now my partner. I made him my junior partner later.

Mr. LITTLETON. Now, coming down to the time of the panic, at the time when the panic set in and everybody was suffering the distress of it, what was it that happened to the Tennessee Coal & Iron stock, if anything did happen, which sort of outlawed it as compared with any other industrial stock?

Mr. SCHLEY. It was in a very bad way as to market price, and there is no bank that will loan on a stock that has not a market.

Mr. LITTLETON. They would not even lend on it as a part of the 30 per cent of the industrials?

Mr. SCHLEY. They did, as I told you; but very many bankers would not have anything to do with it as a banker.

Mr. LITTLETON. That had been true from 1905 and 1906, had it not?

Mr. SCHLEY. Well, some bankers would not at that time.

Mr. LITTLETON. The point I am getting at is whether at the beginning of the panic a general drive was made at Tennessee Coal & Iron?

Mr. SCHLEY. I never knew of that. I never saw anything of that kind.

Mr. LITTLETON. Mr. Schley, of course you know Col. Payne?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Col. Payne had no interest in the firm of Moore & Schley?

Mr. SCHLEY. Not the slightest.

Mr. LITTLETON. He bought securities from your firm, did he?

Mr. SCHLEY. Yes.

Mr. LITTLETON. He was not a speculator, was he?

Mr. SCHLEY. Very rarely. He never speculated, you might say.

Mr. LITTLETON. He bought securities outright?

Mr. SCHLEY. Yes.

Mr. LITTLETON. And either took them away or left them with Moore & Schley?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Did you borrow from Col. Payne during 1907—your firm?

Mr. SCHLEY. I exchanged some of my irregular securities for some of his good ones.

Mr. LITTLETON. When did that transaction or that series of transactions begin?

Mr. SCHLEY. I think it was early in 1907.

Mr. LITTLETON. How did that come about?

Mr. SCHLEY. I had among my collateral a good many industrials which I regarded as very valuable intrinsically, but the banks would not take them for collateral and loan me money upon them, and I was very familiar with Col. Payne and he knew of my condition, and he agreed to give me certain of his railroad stock and other stock that were excellent collaterals and substitute them for others of mine.

Mr. LITTLETON. At that time, how much did he have in the way of standard securities, which he had bought through Moore & Schley, in the possession of Moore & Schley?

Mr. SCHLEY. Well, I could not tell you, except I should say perhaps five or six or seven or eight millions of dollars.

Mr. LITTLETON. Standard securities which he had bought through Moore & Schley prior to that time and left them on deposit with Moore & Schley; is that correct?

Mr. SCHLEY. That is right. He may have owed something like a million dollars now and then, and paid it off, say, in the course of three or four months, and bought something a little ahead of his investment.

Mr. LITTLETON. So that the aggregate of his ownership of standard securities in the hands of Moore & Schley at that time was between seven and eight million dollars?

Mr. SCHLEY. I think that is rather high.

Mr. LITTLETON. Six or seven million dollars?

Mr. SCHLEY. I can not testify absolutely without looking over the books.

Mr. LITTLETON. I may have misquoted you, but I understood you to say five or six million dollars.

Mr. SCHLEY. I can not give you the exact figures. If I said that, I want to withdraw it.

Mr. LITTLETON. You are at perfect liberty to correct your testimony at any time, but I understood you to say had bought and

left there standard securities amounting to five or six or seven or eight millions of dollars.

Mr. SCHLEY. You asked me what he had and I said he might have it run along like that.

Mr. LITTLETON. I do not want to press you about the matter, but is it your recollection that he had two or three million dollars of securities in the hands of Moore & Schley which were standard securities?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Did you make an arrangement with him that you might hypothecate or use the standard securities which he had on deposit with you in exchange for these uncurrent securities, as they have been called?

Mr. SCHLEY. Yes.

Mr. LITTLETON. When did you make that arrangement?

Mr. SCHLEY. I can not give you the date. It must have been in 1907.

Mr. LITTLETON. Was the arrangement in writing?

Mr. SCHLEY. Yes; I wrote a memorandum of it myself and sent it up to him.

Mr. LITTLETON. What did the memorandum consist of, generally?

Mr. SCHLEY. I have forgotten the items now.

Mr. LITTLETON. Did it consist of a statement of the amount of standard securities he had which you would like to use and the exchange of other securities which you would offer to him?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Was that the character of it?

Mr. SCHLEY. That was the character of it; yes.

Mr. LITTLETON. To what extent did you use Col. Payne's standard securities in that way?

Mr. SCHLEY. I can not give you the amount?

Mr. LITTLETON. Can you approximate it?

Mr. SCHLEY. Five or six million dollars; I should say $6,000,000.

Mr. LITTLETON. And those standard securities thus used went into your loans at the various banks?

Mr. SCHLEY. That is right.

Mr. LITTLETON. How much Tennessee Coal & Iron stock did you let him have, amongst other things, in this exchange?

Mr. SCHLEY. If I recall it correctly, it was 15,000 shares.

Mr. LITTLETON. Fifteen thousand shares?

Mr. SCHLEY. Yes; but I can not testify as to these amounts accurately, you know.

Mr. LITTLETON. That was your personal stock?

Mr. SCHLEY. Yes; my personal stock.

Mr. LITTLETON. You advanced it on behalf of Moore & Schley?

Mr. SCHLEY. Yes. It was all a Moore & Schley matter.

Mr. LITTLETON. Do you know about the aggregate value of the securities, the uncurrent securities, which you delivered to Col. Payne under this arrangement?

Mr. SCHLEY. Well, I attempted to make it very liberal.

Mr. LITTLETON. What was the margin you gave him?

Mr. SCHLEY. I marked them very low on my side and put his high. In consideration of the great accommodation and kindness, I would have put him beyond any possibility of loss.

Mr. LITTLETON. Did that continue throughout 1907 up to the time of the panic?

Mr. SCHLEY. Yes; that settlement was made some time afterwards, I believe.

Mr. LITTLETON. And when the panic came on, about how much of his standard securities do you think you had used in the manner described?

Mr. SCHLEY. They were all put into our box. They may not have been used in loans, but they were in my box, which went backwards and forwards to the office every night, and they were kept there for immediate use. That is always the unwritten history in a large banking house like that; for example, if Union Pacific sells down to 100, it might sell at 75 the next day; and anyone who is at all cautious and careful and keeps his mind on his business will have enough securities to apply them to that 75 the next day; and all these securities you speak of may have been lying in my box waiting some such period.

Mr. LITTLETON. In other words, they were used as emergency securities?

Mr. SCHLEY. They were not all put in loans.

Mr. LITTLETON. Did you substitute any of the standard securities which Col. Payne loaned you or exchanged with you for any of the Tennessee Coal & Iron collateral which was in existing loans?

Mr. SCHLEY. You can not segregate it in that way.

Mr. LITTLETON. Well, I suppose this would happen: Perhaps there would be a loan in which Tennessee Coal & Iron formed a small part, and the market price of the collaterals might go down and you would be required to put up additional collateral for the loan, and you would put up, perhaps, the standard securities which you had exchanged to support that loan.

Mr. SCHLEY. It might so happen, surely.

Mr. LITTLETON. But was there ever a distinct withdrawal of Tennessee Coal & Iron stock from a loan and a distinct substitution of a standard security in its place?

Mr. SCHLEY. I do not remember of any.

Mr. LITTLETON. I would like to refresh your recollection by referring to your testimony before the Senate committee, because you tell me you have not been very well of late, and I want to call your attention to that testimony, so you will have the benefit of it. In testifying before the Senate Judiciary Committee you were asked this question by Senator Overman:

> Was there any pressure to take up the Tennessee Coal & Iron collateral on the five or six million dollars you had borrowed?

And you answered:

> Constantly. It got to be so, as I just remarked, that we were loaning more than this amount, and carrying for customers more than 100,000 shares. One hundred thousand represented about what we were able to keep out in our loans, and as the panic developed a great deal of the stock was being taken from the market, and the quotations were infrequent, and they were wide apart too. There was nobody buying it or selling it, as so much of it was out of the market, taken out by this operation, and in the development of the panic the banks declined to loan upon a security where the market was so apparently nominal. That is reasonable, in a sense, too, because no bank is to be criticized who would not loan upon a security that did not have an immediate market.

In those times, you know, they all got more or less cautious. So I would have continual calls—"please take this Tennessee out of that loan," and so forth. So that it became a very serious matter.

Does that refresh your recollection as to whether you had distinct calls to take Tennessee out of the loans?

Mr. SCHLEY. That happened frequently, and the same with the Republic Steel and any other industrial.

Mr. LITTLETON. And it did not happen in Tennessee Coal & Iron any more than in any other industrial?

Mr. SCHLEY. No; but Tennessee Coal & Iron got into very bad odor because of its market-wise conditions. When I spoke of the Republic Steel, that always had a market, and it had a market in quite large volume, but it was under the weather, and it was sold down to 12 in those times.

Mr. LITTLETON. Did the banks know you had paid or that the second 50,000 shares had been bought at 130?

Mr. SCHLEY. The banks knew nothing about that.

Mr. LITTLETON. When was the suggestion made by you or to you that the Tennessee Coal & Iron stock be sold to the United States Steel Corporation?

Mr. SCHLEY. It was in October, 1907, I believe. Perhaps you have got the date there.

Mr. LITTLETON. Do you remember that Mr. Hanna, of Cleveland, was on here just before the suggestion was made regarding a sale?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Mr. Hanna was one of the syndicate managers with yourself?

Mr. SCHLEY. Yes.

Mr. LITTLETON. At that time did he inquire of you as to what your condition was, or the condition of the firm of Moore & Schley?

Mr. SCHLEY. No.

Mr. LITTLETON. Did you tell him?

Mr. SCHLEY. No.

(Thereupon the committee took a recess until 2 o'clock p. m.)

AFTER RECESS.

At the expiration of the recess the committee resumed its session.

The CHAIRMAN. The committee will come to order.

STATEMENT OF MR. GRANT B. SCHLEY—Continued.

Mr. LITTLETON. Mr. Schley, I was asking you, when the committee adjourned, about Mr. Hanna being to see you a week before the negotiations for the sale of the Tennessee Coal & Iron stock.

Mr. SCHLEY. Yes.

Mr. LITTLETON. Did you have a discussion with Mr. Hanna about a week or two before the negotiations looking to the sale of the Tennessee Coal & Iron in regard to the status of the Tennessee Coal & Iron Co.?

Mr. SCHLEY. In a general way. I did the same with everyone connected with the syndicate. As I met them I kept them posted on the lines of about what I have told you here now. I did not tell

them how much the stock would be, but I talked freely about the matter.

Mr. LITTLETON. Did not you and Mr. Hanna—I am putting this in a general way for your correction if I have not got it right—did not you and Mr. Hanna, after discussing the Tennessee Coal & Iron situation, come to the conclusion and agree that there was no danger to the Tennessee Coal & Iron Co. in the situation? That is, that it could weather the storm?

Mr. SCHLEY. I do not remember such a conversation.

Mr. LITTLETON. Did not Mr. Hanna, when he was in New York, tell you in substance—I am not trying to quote the words—that if you needed any assistance, or if the firm of Moore & Schley, in the future, was in difficulties, his strong box was here available to you?

Mr. SCHLEY. I do not know that he made such a specific statement.

Mr. LITTLETON. Did he not proffer help to you in case you needed it?

Mr. SCHLEY. Mr. Hanna had a very large amount of money with me at the time.

Mr. LITTLETON. Did he not bring with him, the last time he came from Cleveland, what he commonly called his strong box of securities with him?

Mr. SCHLEY. No, sir.

Mr. LITTLETON. And make an offer of them to Moore & Schley, or to you, and say in substance that if you gentlemen got in any trouble you could avail yourselves of these things?

Mr. SCHLEY. No.

Mr. LITTLETON. Did he not make any offer to you of assistance, at all, in case you needed it?

Mr. SCHLEY. I do not remember any specific offer that he made.

Mr. LITTLETON. Let us not make it specific. Make it general.

Mr. SCHLEY. In a general way, he was a very close friend of mine.

Mr. LITTLETON. Did he not, in a general way, make an offer of assistance in case you were in difficulty?

Mr. SCHLEY. No.

Mr. LITTLETON. You say he had a great deal of money with you at the time?

Mr. SCHLEY. Not money, but securities.

Mr. LITTLETON. He had a great many securities with Moore & Schley?

Mr. SCHLEY. Yes.

Mr. LITTLETON. To what extent, roughly?

Mr. SCHLEY. Oh, about $3,000,000 worth.

Mr. LITTLETON. Were they at the disposal of Moore & Schley?

Mr. SCHLEY. No. That is, they were surplus material which were put in the safe-deposit box and credited to him as his securities.

Mr. LITTLETON. Did he not make such a remark to you, that he was willing that you should use these securities to protect Tennessee Coal & Iron?

Mr. SCHLEY. No, sir.

Mr. LITTLETON. Was anything said by him about the availability of these securities in case of need?

Mr. SCHLEY. No, sir.

Mr. LITTLETON. Did you understand that Moore & Schley had an offer of assistance from Mr. Hanna?

Mr. SCHLEY. In a general way.

Mr. LITTLETON. In a general way?

Mr. SCHLEY. Yes.

Mr. LITTLETON. That is, in case of distress?

Mr. SCHLEY. Not specifically, as to handing over funds. He was a very close friend.

Mr. LITTLETON. What do you mean by that?

Mr. SCHLEY. I would like to explain.

Mr. LITTLETON. Go ahead.

Mr. SCHLEY. He was simply a close friend. He never mentioned that he would give me specific sums of money, or any money, or any assistance. He did not suppose that I needed it. I did not think I did.

Mr. LITTLETON. Did he not say, in substance—and this is in order to bring it to your mind, if you have overlooked it, Mr. Schley, and if in the long reach of time and difficulties and circumstances that have ensued since, the thing has become dimmed in your recollection—did he not say, in substance, "I have my strong box here," or "I have my securities here, and they are at the service of Moore & Schley to protect Tennessee Coal & Iron stock against any danger"?

Mr. SCHLEY. No.

Mr. LITTLETON. So much for that. Before luncheon you had described the situation of the stock ownership pretty fully. I wanted to ask you the direct question: First, was there any direct attack, so far as you know, in the Street, upon the Tennessee Coal & Iron stock?

Mr. SCHLEY. No.

Mr. LITTLETON. I am going to ask you a question just brought to my mind by the circumstances of your examination before the Judiciary Committee of the Senate. Was there a pounding of Moore & Schley in the Street or an attack upon them? Before you answer that question, in order that you may be advised of what is in my mind, I want to draw your attention to your statement in the Senate hearing, so that you may know what I am driving at. You were asked in the Senate hearing by Senator Culberson:

> Mr. Schley, I understand you to say that although calls had been made upon your firm, you had always responded up to the 4th of November, 1907?
>
> Mr. SCHLEY. Yes. When it developed everyone I talked to in connection with his holdings was willing, under the pressure that was brought upon all, to sell that stock at par, and when I went to Mr. Ledyard and asked him to make these negotiations it began. Then Mr. Frick and Mr. Gary came to me in the course of it, and it developed so that in the following days it was known to the public. I can't tell what would have happened to Moore & Schley or to anybody else in that Street, because we were oppressed by rumors, same of them untrue, but Moore & Schley were the subject of attack, serious attack, and their credit, which is the life of the business, was being destroyed. It was a matter of serious import. It had to be disposed of, if it could be. I don't mean for Moore & Schley, but for people about them, others interested, not those particular individuals of great wealth.

You remember that answer?

Mr. SCHLEY. Yes.

Mr. LITTLETON. In view of that answer, I put the question to you: Were Moore & Schley the subject of a general attack about that time in the Street or the object of it?

Mr. SCHLEY. I should think not, in the sense that you could call it an attack. Moore & Schley were rather prominent and they had,

among other things, Tennessee Coal & Iron. They had Tobacco. They had the Republic Iron & Steel. I was a director in the Hudson Co. Most of them had lost their borrowing capacities.

Mr. LITTLETON. Most of those securities?

Mr. SCHLEY. Yes; and there were large amounts of them afloat. The papers, and especially the evening papers, would bring out statements by this man or that man; that that stock would go to pieces some day—referring to the Tennessee Coal & Iron—and all of those stocks were depressed. The rumors were about that Moore & Schley were going to fail. I have heard that of every bank and every large brokerage house in New York many times in the past years. In that sense their credit was impaired. I had cables from our London correspondent telling of the rumors afloat in London. They had no basis in fact, from any occurrence that was visible to anybody's eye.

Mr. LITTLETON. In other words, there was a general uneasiness?

Mr. SCHLEY. There was a general uneasiness—a thing that anybody who is familiar with the Street knows everybody is liable to have come upon them.

Mr. LITTLETON. But what I am getting at is this: Moore & Schley were not attacked distinctly and solely because of their participation in and ownership of the Tennessee Coal & Iron stock?

Mr. SCHLEY. No. That is, possibly, pretty well demonstrated in the fact that they had $35,000,000 of loans out. Had I had ordinarily good collateral I could have made it $50,000,000, even in those hard times. I would have had to pay high for them, up to the market prices; but there was no especial attack on us, but that we could have borrowed money as well as anybody on the Street. That was the amount of the business.

Mr. LITTLETON. And that was the sense in which you used the statement before the Senate Judiciary Committee?

Mr. SCHLEY. That is what I meant.

Mr. LITTLETON. Mr. Schley, if it is true that there was no attack on Tennessee Coal & Iron as such, no drive at it, to use the word in that way; and if it is true that these were more or less vague, and as you say, groundless, but damaging rumors—because they can be just as damaging where they are groundless as they can be where they are well grounded——

Mr. SCHLEY. Exactly.

Mr. LITTLETON. If it is true that there were groundless rumors regarding Moore & Schley, will you tell the committee in what particular way the exchange of the Tennessee Coal & Iron stock for the sinking-fund bonds of the Steel Co. was itself necessary to save Moore & Schley from failure?

Mr. SCHLEY. Moore & Schley had $35,000,000 of loans. Various of our customers were borrowing money from us on Tennessee Coal & Iron. Tennessee Coal & Iron was unsalable. Transfer it into the Steel 5 per cent bonds, and you would have an immediate market for it. Those bonds could be sold and the accounts reimbursed in full with the money, the loans paid off and the margins put back, increasing the amount of the money. It is perfectly clear why the bonds were worth more than the stock in a large operation.

Mr. LITTLETON. You said this morning, as I understood you, that when a man who had borrowed money from Moore & Schley on Ten-

nessee Coal & Iron stock could not meet his obligations, you did not call on him to make good?

Mr. SCHLEY. I would at times. When a man could not make good I would be lenient with him. Some friendly, reasonable arrangement would be made. He would give me various other collaterals of an indefinite character.

Mr. LITTLETON. Why did not Moore & Schley make their customers who borrowed on Tennessee Coal & Iron stock make good their loans?

Mr. SCHLEY. Because Moore & Schley try to help their customers in many instances.

Mr. LITTLETON. I do not mean that you would press them. That is not the point of my question at all; but you were being pressed. You had borrowed a certain amount, and you had loaned about what you had borrowed.

Mr. SCHLEY. I tried to get them to put up their money. Many of them could not do it in those days.

Mr. LITTLETON. It never went to the extent of forfeiture, however?

Mr. SCHLEY. No, sir; I never closed out a client.

Mr. LITTLETON. Did many of the men make good under your offer to have them make good on loans?

Mr. SCHLEY. They made good immediately when they got the bonds.

Mr. LITTLETON. I am talking about before the exchange.

Mr. SCHLEY. At different times. They were constantly doing it as they could.

Mr. LITTLETON. Why was it any more necessary to exchange the stock of the Tennessee Coal & Iron Co. for the sinking-fund bonds of the Steel Corporation than it was to exchange the stock of the Republic Co. or any other of the industrials which formed the 30 per cent of the loan for the United States Steel bonds?

Mr. SCHLEY. It was not.

Mr. LITTLETON. In other words, you had just as much reason for trying to negotiate a sale of the other industrial stocks which constituted the 30 per cent of these loans, and get in exchange something like the United States sinking-fund bonds, as you did to negotiate the sale of the Tennessee Coal & Iron stock for those bonds?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Just as much reason?

Mr. SCHLEY. Not so much reason, because there was a very much larger amount of Tennessee Coal & Iron. That being exchanged for the bonds, was equivalent to cash for our uses. Bonds are about the same as cash, but we had an enormous amount of Tennessee Coal & Iron. That would relieve the situation immediately.

Mr. LITTLETON. I understood you to say the percentage of the Tennessee Coal & Iron stock supporting these various loans of Moore & Schley varied according to the amount it would take, and that other industrial stocks figured in the 30 per cent quite as conspicuously; and you named the Republic Co. and some others—the Tobacco and some others—which figured quite as conspicuously as the Tennessee Coal & Iron did?

Mr. SCHLEY. Not in the total amount of value.

Mr. LITTLETON. How much more did Tennessee Coal & Iron figure as a part of the 30 per cent than any other industrial?

Mr. SCHLEY. I could not answer that.

Mr. LITTLETON. You had about thirty-three millions, or thirty-five millions, taking it roughly, of loans. That is, Moore & Schley had. Roughly speaking, the 30 per cent of the collateral under those were industrials?

Mr. SCHLEY. As a rule, we tried to get it that way.

Mr. LITTLETON. And a part of the industrials was the Tennessee Coal & Iron stock?

Mr. SCHLEY. Yes.

Mr. LITTLETON. You are unable to say what percentage of the 30 per cent the Tennessee Coal & Iron was?

Mr. SCHLEY. I am unable to say that. It was fluctuating constantly.

Mr. LITTLETON. It was a small per cent of each loan, was it not?

Mr. SCHLEY. Yes. Not every loan was made on that basis. Some loans were made with 60 and 40; some loans were made with 50 and 50; you could not come to any fixed rule as to this 30 per cent of the total.

Mr. LITTLETON. I know. Was there any particular reason why the Tennessee Coal & Iron, as a part of the 30 per cent of the industrials that supported these loans, should have been made the subject of a trade between the Steel Co. and the Tennessee Coal & Iron Co. stock?

Mr. SCHLEY. There was a good reason for me. It relieved every friend I had. It relieved my office, and it brought in immediately Steel bonds or money. The bonds, I should say, were practically equivalent to money. It relieved the whole situation immediately.

Mr. LITTLETON. Suppose the Steel Co. had loaned you the bonds instead of issuing them in exchange; would not that have served the same purpose?

Mr. SCHLEY. Hardly.

Mr. LITTLETON. Why not?

Mr. SCHLEY. The people who owned the Tennessee Coal & Iron stock could not have availed themselves of a loaned bond. When the bond was selling at 84 it was worth about 62 or 60 to borrow money on.

Mr. LITTLETON. Suppose there had been placed at the disposal of Moore & Schley an equivalent of the bonds of the United States Steel Co. as a loan for them to use to relieve themselves of the pressure which was being brought to bear on them; would not that have served the same purpose as the exchange of the Tennessee Coal & Iron stock?

Mr. SCHLEY. That would depend on how many bonds you gave.

Mr. LITTLETON. The same amount of bonds as was exchanged for the stock?

Mr. SCHLEY. No.

Mr. LITTLETON. Why not?

Mr. SCHLEY. Because you could sell those bonds. If you borrowed money on them, it would be 20 to 25 per cent off of the price.

Mr. LITTLETON. You have illustrated by using Col. Payne's standard securities in exchange for uncurrent securities——

Mr. SCHLEY. That is something that does not belong to this transaction.

Mr. LITTLETON. But you have illustrated that you could, with standard securities, go on and make loans and carry on financial transactions because you had the standard securities, and you have got uncurrent securities?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Suppose the Steel Co., when this exchange was made, put out thirty millions—I use the figure roundly, without regard for the accuracy of it—in exchange for the Tennessee Coal & Iron stock; suppose, instead of putting thirty millions out in the exchange and taking over the Tennessee Coal & Iron stock, their sole solicitude being for Moore & Schley, and to save a failure which would affect other houses, and affect the general situation, they had loaned you thirty millions of bonds to be used for the purpose of saving the situation and strengthening the loans and strengthening credit; would it not have achieved the same result?

Mr. SCHLEY. Do you mean that you would not expect them to receive in exchange the Tennessee Coal & Iron stock?

Mr. LITTLETON. No.

Mr. SCHLEY. A bald loan of three millions of bonds?

Mr. LITTLETON. Yes.

Mr. SCHLEY. I should hardly have the cheek to ask them to do that.

Mr. LITTLETON. But asume that it would not require you to have so much cheek on the subject, but that they did not want to buy the Tennessee Coal, as they have said they did not; and assume that the Tennessee Coal did not want to sell, as they have said they did not; and assume they were acting solely to prevent the failure of a great business concern, and that the loan of an equal amount of bonds to that concern could have prevented the failure; would not that have achieved the same result?

Mr. SCHLEY. Exactly; of course.

Mr. LITTLETON. Judge Gary said he offered, or, roughly speaking, the suggestion or offer was made, that they would loan five or six million dollars to Moore & Schley.

Mr. SCHLEY. Yes.

Mr. LITTLETON. Do you remember that?

Mr. SCHLEY. I do not remember it in the sense that Mr. Gary's testimony gives it in.

Mr. LITTLETON. Do you not know that before the Senate committee—let me refresh your recollection about that—you were asked the question if four or five million dollars would have saved Moore & Schley from their embarrassment?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Let me call your attention to this. Judge Bartlett furnishes me with the report. I will read you the question and answer, so as to have it plain before you:

Senator OVERMAN. Was there any pressure to take up the Tennessee Coal & Iron collateral on the five or six million dollars you had borrowed?

Mr. SCHLEY. Constantly. It got to be so, as I just remarked, that we were loaning more than this amount and carrying for customers more than 100,000 shares—

And it goes on just as I read it to you this morning. You remember my reading it?

Mr. SCHLEY. Very well.

Mr. LITTLETON (reading):

Senator CULBERSON. Would that situation have been relieved if they had simply taken that $100,000 shares of stock and stopped there?
Mr. SCHLEY. Who do you mean by "they"?
Senator CULBERSON. I mean the Steel Corporation.
Mr. SCHLEY. Well, that was not considered.
Senator CULBERSON. I understand, but I am asking you.
Mr. SCHLEY. Oh, yes; if I had had five or six million dollars in real money I would have been happy enough.

Mr. SCHLEY. Yes.

Mr. LITTLETON. That was your answer before the Judiciary Committee?

Mr. SCHLEY. Yes.

Mr. LITTLETON. I take it, without asking, that you would confirm it as true?

Mr. SCHLEY. Yes.

Mr. LITTLETON. And being true, if, as Judge Gary said, an offer was made that five or six million dollars would be loaned to Moore & Schley——

Mr. SCHLEY. The offer was not said to be made to me.

Mr. LITTLETON. What is that?

Mr. SCHLEY. Mr. Ledyard had that offer, did he not? It was spoken of to Mr. Ledyard.

Mr. LITTLETON. You did not hear of the offer?

Mr. SCHLEY. I have an indistinct recollection of an offer of that kind, on the deposit of certain collateral.

Mr. LITTLETON. Was there an offer made to you of the loan of five or six million dollars?

Mr. SCHLEY. Mr. Ledyard came to me and I have an indistinct recollection of his saying that five or six million dollars would be advanced on certain collateral.

Mr. LITTLETON. Collateral that you had?

Mr. SCHLEY. Yes; and I said that would not do. The proposition was that there should be certain collateral. My impression now is that the collateral asked for was too large in proportion and that it would only leave us in exactly the same situation that we were in before. I have to tell this by hearsay. I do not remember very much about that $5,000,000 offer.

Mr. LITTLETON. Senator Culberson asked you this question, and you made this answer. He said:

Would the situation have been relieved if they had deposited 5 per cent steel bonds as collateral for the Tennessee stock on these five or six million dollars of loans? In other words, would not the transfer of that amount of steel bonds at that time have satisfied the demand of these banks where you had borrowed fixe or six million dollars?

And you answered:

If that could have been done, I suppose it would have relieved the situation very much; but that is hardly practical in business. The people who owned this Tennessee stock believed in it, and would have liked to keep it, but there was hardly a man of the whole party but was depressed more or less by the terrible condition of affairs not only financially but in his mind, and you could not have taken the minority of that stock or any specified smaller sum without including all. Moore & Schley were dealing, say, with John Smith, loaning him money on his Tennessee stock, and Mr. Robinson's stock could not have been taken out and John Smith's left. We in our capacity holding it together would have found it almost impossible to arrange for an exchange of that kind. The practicability of it never was suggested. I never thought of it before.

That was your answer there?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Now, distinctly, was there an offer of the loan of five or six million dollars by Judge Gary, of the Steel Company, to Moore & Schley?

Mr. SCHLEY. Not to me. As I have said, the only recollection I have of it is that Mr. Ledyard—and that is indistinct in my mind—proposed a loan of $5,000,000 on certain securities, and what they were I have forgotten. I said that would not do, that it would not relieve the situation; that it would place it right back where it was before. I made some such remark, and that was dropped. It was only presented to me once.

Mr. LITTLETON. Who conceived the idea of the sale of the Tennessee Coal & Iron stock to the Steel Co.?

Mr. SCHLEY. Col. Payne talked to me a good deal about it for a month before it was sold.

Mr. LITTLETON. For a month?

Mr. SCHLEY. Yes. He said: "Grant, life is too short; you have too much to do in this world; what is the use of bothering with it? If you can find a customer for it, why not sell it?"

Mr. LITTLETON. He knew that you had a large amount of the stock, individually?

Mr. SCHLEY. He knew I was very much distressed about it.

Mr. LITTLETON. He knew that you had a large amount of stock in it?

Mr. SCHLEY. Yes.

Mr. LITTLETON. And that you were one of the syndicate managers, also, of this syndicate?

Mr. SCHLEY. Yes; he knew I was very much worried over it, and that I was giving my time and attention to it and having a great many sleepless nights.

Mr. LITTLETON. The substance of it was that life was too short to worry with this thing, and why not sell it?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Did he suggest to whom you could sell it?

Mr. SCHLEY. About the only one we could find would be the Steel Co.

Mr. LITTLETON. Just state in substance what he said to you regarding the advisability of selling it.

Mr. SCHLEY. I do not know that I can say more than I have said. It was in general conversation.

Mr. LITTLETON. Did he talk to you frequently about it?

Mr. SCHLEY. Not in any pressing way; but it was his judgment that that was the wisest thing to do.

Mr. LITTLETON. And that was for a month before?

Mr. SCHLEY. I will not say that. It was about a month at different times.

Mr. LITTLETON. Did you talk to any other owners of Tennessee Coal & Iron stock about the conversation you had with Col. Payne in regard to the sale of the stock?

Mr. SCHLEY. I do not know that I did. I spoke to Berwind about it. I gave them all my general impression. They were all willing to go along, and each one do what the other did. I do not remember of any specific statements that I made of that kind.

Mr. LITTLETON. Did any member of the syndicate communicate with you and offer you any assistance, Mr. Schley?

Mr. SCHLEY. No.

Mr. LITTLETON. Did any of the owners of the Tennessee Coal & Iron stock?

Mr. SCHLEY. What do you say?

Mr. LITTLETON. Did any of the owners of the Tennessee Coal & Iron stock offer you any assistance?

Mr. SCHLEY. No.

Mr. LITTLETON. Did Mr. Berwind?

Mr. SCHLEY. No.

Mr. LITTLETON. Or Mr. Gates?

Mr. SCHLEY. Mr. Gates telegraphed me that he would turn some bonds over to me if I wanted them. He was in Paris.

Mr. LITTLETON. For what purpose were the bonds to be turned over?

Mr. SCHLEY. He cabled that he had certain bonds at the office, and that any time I wanted them I might go there and get them.

Mr. LITTLETON. How many bonds, Mr. Schley?

Mr. SCHLEY. Three millions.

Mr. LITTLETON. Three millions. They were standard securities?

Mr. SCHLEY. They were good securities.

Mr. LITTLETON. Did he do that to protect his interest in the Tennessee Coal & Iron Co.?

Mr. SCHLEY. He was abroad, and he cabled me to know what the outlook was.

Mr. LITTLETON. What is that?

Mr. SCHLEY. He cabled me, asking what the situation was. I told him in a general way that there was very much of a depression here, and wrote him quite a long dispatch of the local happenings of the day, and his reply was as I have stated.

Mr. LITTLETON. He put at your disposal three millions of bonds?

Mr. SCHLEY. Yes. I answered him that I would not take them. I did not want to use his bonds. I had no use for his bonds in that way.

Mr. LITTLETON. Did Mr. Gates, when he left here, leave any cash to protect his holdings in T. C. I.?

Mr. SCHLEY. He did not have any T. C. I. with me.

Mr. LITTLETON. So you did not know anything about that if he did?

Mr. SCHLEY. No.

Mr. LITTLETON. Did you discuss with the owners of the Tennessee Coal & Iron stock and the syndicate manager, Mr. Hanna, the advisability of selling the Tennessee Coal & Iron Co.?

Mr. SCHLEY. No regular discussion.

Mr. LITTLETON. Did you talk with them about it?

Mr. SCHLEY. The situation was a matter of conversation every time we met, I should think. It was very important.

Mr. LITTLETON. After Col. Payne had these conversations with you in which he practically said that life was too short for worrying over this thing, and to get rid of it in some way, finally did Mr. Ledyard come to you?

Mr. SCHLEY. I sent for Mr. Ledyard.

Mr. LITTLETON. You sent for him? Why?

Mr. SCHLEY. At Col. Payne's solicitation.

Mr. LITTLETON. Col. Payne had asked you to send for him?

Mr. SCHLEY. He advised it, as the most direct way of reaching a sale.

Mr. LITTLETON. At that time you and Mr. Kessler owned about 53,000 shares outside of your syndicate ownership, did you not?

Mr. SCHLEY. That is right.

Mr. LITTLETON. What did Col. Payne say to you when he asked you to send for Mr. Ledyard?

Mr. SCHLEY. He suggested that I do that.

Mr. LITTLETON. As his counsel?

Mr. SCHLEY. Not at all.

Mr. LITTLETON. Did he tell you that Mr. Ledyard was his counsel?

Mr. SCHLEY. I knew he was.

Mr. LITTLETON. So it was not necessary to say that. Was Col. Payne distressed to all about T. C. I. stock?

Mr. SCHLEY. Not in a money way.

Mr. LITTLETON. Well, in any other way?

Mr. SCHLEY. Well, he did not like the situation.

Mr. LITTLETON. He did not like it? Why?

Mr. SCHLEY. Why, because of this general attitude on the market.

Mr. LITTLETON. Col. Payne owned about 25,000 shares at that time, did he not? You had given him fifteen in exchange for other securities, and he had ten-odd as his original subscription?

Mr. SCHLEY. That is right.

Mr. LITTLETON. Was he distressed about his ownership?

Mr. SCHLEY. No, sir.

Mr. LITTLETON. What was the source of his distress?

Mr. SCHLEY. He was not so much distressed. He spoke to me about it, as one man to another.

Mr. LITTLETON. Why was he stimulated to suggest to you frequently the sale of the stock?

Mr. SCHLEY. He was a friend of mine, and, in ordinary intercourse, he saw that I did not like things very well, and he talked about it in that way. There was no distress on Col. Payne's part.

Mr. LITTLETON. He could carry his stock all right?

Mr. SCHLEY. Yes.

Mr. LITTLETON. You had your part of the 53,000 shares, and Mr. Kessler's?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Were they up in any loan?

Mr. SCHLEY. They were in Moore & Schley's office. Moore & Schley were reimbursing themselves as well as they could.

Mr. LITTLETON. Kessler's stock was not up in any loan?

Mr. SCHLEY. His stock was in Moore & Schley's office.

Mr. LITTLETON. They had loaned him money?

Mr. SCHLEY. Yes.

Mr. LITTLETON. And he could not or he did not make good on it, did he?

Mr. SCHLEY. No.

Mr. LITTLETON. He did not pay?

Mr. SCHLEY. No.

Mr. LITTLETON. Did he tell you he could not pay?

Mr. SCHLEY. Yes.

Mr. LITTLETON. And you felt that the stock was dead stock, so far as realizing anything on it at the time was concerned?

Mr. SCHLEY. Yes. He afterwards gave collateral that was real estate abroad, that cost him a great deal more than his debt there. But that is not very good collateral on Wall Street.

Mr. LITTLETON. When Mr. Ledyard came to you, how did the thing start between you and him?

Mr. SCHLEY. I said to him that we had this stock and did not know but that it would be a good idea to sell it if we could sell it at par.

Mr. LITTLETON. You had what stock?

Mr. SCHLEY. The Tennessee Coal & Iron stock.

Mr. LITTLETON. To what block of it did you refer?

Mr. SCHLEY. I referred to the majority.

Mr. LITTLETON. You did not have the majority, did you?

Mr. SCHLEY. Well, I could have influenced it.

Mr. LITTLETON. What did you say?

Mr. SCHLEY. I had an influence over the majority.

Mr. LITTLETON. You were the syndicate manager at the time?

Mr. SCHLEY. Yes.

Mr. LITTLETON. And you had that in mind?

Mr. SCHLEY. Yes.

Mr. LITTLETON. You had not then discussed with Mr. Hanna, had you—the other syndicate manager—the advisability of selling the stock?

Mr. SCHLEY. No regular discussion.

The CHAIRMAN. Had there ever been any proposition on foot between you and Mr. Hanna, to sell it—Mr. Hanna, the other syndicate manager?

Mr. SCHLEY. There was no proposition, but we had talked in a general way that in view of the general situation being as bad as it was, it would perhaps be well if we could sell it. I believed he would be willing to do so, although there was no discussion of that fact.

Mr. LITTLETON. Had you talked with Mr. Hanna—I will put it in plain, homely speech—had you talked with him about selling the Tennessee Coal & Iron stock to the United States Steel Co. at that time?

Mr. SCHLEY. I can not recall that I had made any statement that we would sell it to them, but I think there had been a general—I had a general idea that he would be willing to part with it.

Mr. LITTLETON. You undertook, in your own way, because you knew him, to interpret what you thought his attitude was?

Mr. SCHLEY. Yes.

Mr. LITTLETON. But there had been no statement by him at that time that he was willing to part either with his own stock or to consent, as syndicate manager, to the sale?

Mr. SCHLEY. I can not answer that he gave me any special statement that would signify exactly what you say, but in our conversation I gathered that he would be willing.

Mr. LITTLETON. How recently had you and he talked about the sale of the Tennessee Coal & Iron Co.?

Mr. SCHLEY. That is four years ago. I can not quite fix that date.

Mr. LITTLETON. Had it been a short time before that?

Mr. SCHLEY. That I can not tell you.

Mr. LITTLETON. Had you and he really talked about the sale of the Tennessee Coal & Iron Co.?

Mr. SCHLEY. Not deliberately.

Mr. LITTLETON. Whether deliberately or incidentally, had you talked about it?

Mr. SCHLEY. I am trying to tell you that in some way, in the course of our conversations, I gathered that he would be willing to sell.

Mr. LITTLETON. Of course, as suggested by Judge Bartlett, Mr. Schley, the evidence is—your own evidence as well as that of others—that you bought the Tennessee Coal & Iron stock as a development proposition and not as speculation?

Mr. SCHLEY. That is right.

Mr. LITTLETON. And there would have been no occasion to discuss the sale of the stock unless some dire situation had arisen which required the sale of it, would there?

Mr. SCHLEY. You can hardly place the condition of a man's mind on any one specific thing—like the Tennessee Coal & Iron Co. The best man, if he was a man of means and a man of parts, if he was not particularly distressed personally himself and he had half a dozen friends on his back, and he thought that by selling he could bring about a more normal condition, would probably sell.

Mr. LITTLETON. Was it not true that the first actual notice that you gave to Mr. Hanna of the intention, desire, or program to sell and of the negotiations to purchase was by telephone or telegraphic communication to Cleveland?

Mr. SCHLEY. Of the actual sale; yes. I did not know of it myself until the day before.

Mr. LITTLETON. You did not know of what?

Mr. SCHLEY. I did not know of the proposal to sell until the day before the proposal to sell was arrived at and communicated to Mr. Ledyard, and then the proceedings began.

Mr. LITTLETON. When you talked to Mr. Ledyard, did you tell him you were not going to sell the stock, or substantially that?

Mr. SCHLEY. No; I asked Mr. Ledyard to go and see Mr. Morgan specifically.

Mr. LITTLETON. For the purpose of selling the stock?

Mr. SCHLEY. Yes; I told him to sell it at par, and not any less.

Mr. LITTLETON. Did you advise Ledyard that you controlled or could control the majority of the stock?

Mr. SCHLEY. I do not think that was mentioned.

Mr. LITTLETON. Did he understand that you could?

Mr. SCHLEY. I think he would understand that I could, if I gave him that statement, and Col. Payne, specifically stating that. We would not have made such a statement without we had the power.

Mr. LITTLETON. You knew, of course, that the Steel Co. would not want to be a minority stockholder?

Mr. SCHLEY. No.

Mr. LITTLETON. And in talking, you intended to sell the Tennessee Coal & Iron Co. to the Steel Co.?

Mr. SCHLEY. The majority.

Mr. LITTLETON. That is what you meant?

Mr. SCHLEY. Yes; and at that time and at all times I said that if the sale were made the minority must have the right to receive the same price—or any part of the minority.

Mr. LITTLETON. Outside of your office and the two syndicates there was not much minority out, was there?

Mr. SCHLEY. Not very much.

Mr. LITTLETON. A very small amount?

Mr. SCHLEY. Twenty-five or thirty thousand shares, perhaps.

Mr. LITTLETON. Twenty-five or thirty thousand shares?

Mr. SCHLEY. That is my guessing; I think so.

Mr. LITTLETON. That is, substantially, what you think was out at that time?

Mr. SCHLEY. Yes.

Mr. LITTLETON. When Ledyard came back from Morgan, what did he say?

Mr. SCHLEY. There were no negotiations of that character between Mr. Ledyard and myself after that. After that, I met Mr. Frick and Mr. Gary.

Mr. LITTLETON. I did not understand you.

Mr. SCHLEY. There were no negotiations continued with Mr. Ledyard. After that I saw Mr. Frick and Mr. Gary.

Mr. LITTLETON. The next persons that you saw in connection with the sale were Mr. Frick and Mr. Gary?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Did they come to see you?

Mr. SCHLEY. Yes.

Mr. LITTLETON. What took place between you and them?

Mr. SCHLEY. I can not recall the exact conversation, but Mr. Gary said he did not think the stock was worth over 60, and I argued a little with him, but not for long. He said that was about all he could do; and Mr. Frick was with him at the time. That was all he would give. Then I said, "It will not be sold." It was a very short conversation. Then, afterwards I believe Mr. Ledyard was more or less active with Mr. Frick and Mr. Gary.

Mr. LITTLETON. Did you see them again?

Mr. SCHLEY. Yes; several times.

Mr. LITTLETON. Did you talk with Ledyard in the meantime?

Mr. SCHLEY. I saw Ledyard quite often.

Mr. LITTLETON. What was the substance of the conversations that you had with Mr. Ledyard?

Mr. SCHLEY. I have told you that. You mean at the start?

Mr. LITTLETON. These subsequent conversations.

Mr. SCHLEY. Well, I do not recall those.

Mr. LITTLETON. What was the substance of the subsequent conversations that you had with Mr. Frick and Mr. Gary?

Mr. SCHLEY. I have given you that. I have given you the first. Do you want the second?

Mr. LITTLETON. Yes.

Mr. SCHLEY. At the second interview we had, they offered 90 in bonds, which would amount to 75 for the stock. The bonds were selling at that time at 84.

Mr. LITTLETON. Yes. Was the first offer 60 in cash?

Mr. SCHLEY. It was not specifically stated whether it was cash or not. Sixty was what they would give. We did not get that far. We quit, because 60 would not do.

Mr. LITTLETON. The next time they went up to 75 in bonds?

Mr. SCHLEY. Ninety in bonds.

Mr. LITTLETON. But 75, according to the value of the bonds on the market?

Mr. SCHLEY. Yes.

Mr. LITTLETON. What did you say?

Mr. SCHLEY. I said that would not do; that I did not think it was enough; and that they ought to pay par in bonds, or its equivalent in cash.

Mr. LITTLETON. What was the outcome of that conversation?

Mr. SCHLEY. Well, they simply went away. They said they could not do it; and that, I remember, was on a Sunday morning. Saturday had been a very bad day in the market, and really I did not like the looks Monday. Tuesday was a holiday. Tuesday was election day, was it not? Tuesday following was election day. Mr. Frick and Mr. Gary said they would not want to act anyway until they had the full board, and that they would not see me again until Tuesday. This I told Mr. Ledyard, and I believe Mr. Ledyard immediately brought influence to bear upon them to have a meeting that afternoon again. That was Sunday noon. The executive committee of the company met, and Mr. Ledyard came to me and said that he thought it looked more favorable; but nothing definite was decided on that Sunday, and not until Monday afternoon or noon. Mr. Ledyard told me that they had decided they would pay par.

Mr. LITTLETON. That they would do what?

Mr. SCHLEY. Would pay par in bonds or its equivalent.

Mr. LITTLETON. Who said that?

Mr. SCHLEY. Ledyard gave me that information in the afternoon of Monday, I think it was.

Mr. LITTLETON. What was the next step?

Mr. SCHLEY. The next step was a series of meetings and just the ordinary clerical work to pass this through.

Mr. LITTLETON. Did you talk with the syndicate owners or the managers or the men who owned the stock regarding their willingness to sell?

Mr. SCHLEY. In a general way, yes. Berwind was willing.

Mr. LITTLETON. Who did you talk to?

Mr. SCHLEY. About all of them; those I happened to meet.

Mr. LITTLETON. They did not really want to sell the stock, did they?

Mr. SCHLEY. Nobody wanted really to sell; but they were perfectly willing to get out of this particular condition which had arisen since they started out.

Mr. LITTLETON. Did Judge Gary and the Steel Co. express any disinclination to buy?

Mr. SCHLEY. Judge Gary did not want to; he thought 60 was high enough. I do not remember Mr. Frick expressing an opinion during these talks. Mr. Gary did, every time, depress the price.

Mr. LITTLETON. In the simplest way you can, will you tell the committee why the sale of that stock saved Moore & Schley from possible disaster or failure?

Mr. SCHLEY. Perhaps the sale of that stock did not save them. Perhaps they would have gotten through without it.

Mr. LITTLETON. Is that your opinion?

Mr. SCHLEY. It would be my opinion, if I knew what would have happened.

Mr. LITTLETON. I ask whether that is your opinion, not knowing what would have happened?

Mr. SCHLEY. You are asking me, then, how much risk I want to take?

Mr. LITTLETON. Yes; I am asking you that, too?

Mr. SCHLEY. I think I had taken enough at that time.

Mr. LITTLETON. I ask the direct question, to explain in detail how the sale of this stock—well, Mr. Young suggests that perhaps I have used too strong a word—how the sale of that stock actually aided in the preservation of Moore & Schley from failure?

Mr. SCHLEY. It immediately put us in possession of a great many millions of dollars and released our debts in an equal amount. It worked on both ends.

Mr. LITTLETON. How did it put Moore & Schley in possession of a great many millions of dollars?

Mr. SCHLEY. I had a lot of the stock, and so had Mr. Kessler. I sold my own bonds immediately and Mr. Kessler's next.

Mr. LITTLETON. You sold 53,000 shares—if that is the right number?

Mr. SCHLEY. I sold six millions of bonds at from 83 to 79. I sold my own first, and I sold Kessler's afterwards. There is $12,000,000 that came into my hands, and it enabled me to pay off all those loans.

Mr. LITTLETON. Your syndicate fund bonds?

Mr. SCHLEY. Yes. I did not wait very long.

Mr. LITTLETON. You sold them in the market?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. Why did you sell Mr. Kessler's?

Mr. SCHLEY. Kessler was perfectly willing to do anything that was all right in the matter, as far as he could, and he gave me authority to do with his bonds and his account as I pleased.

Mr. LITTLETON. You simply paid off Kessler's loans?

Mr. SCHLEY. I paid off Kessler's loans; certainly. Whatever the sale of the bonds amounted to I credited to his account.

Mr. LITTLETON. Did it extinguish his loans?

Mr. SCHLEY. Not quite.

Mr. LITTLETON. As far as it would go?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Then that was the fund that was returned to Moore & Schley on that loan?

Mr. SCHLEY. Yes.

Mr. LITTLETON. As to your particular funds, which came to you by the sale of your bonds, that was not a Moore & Schley transaction; that was your affair?

Mr. SCHLEY. Moore & Schley were lending the money to me individually.

Mr. LITTLETON. You had borrowed from Moore & Schley the money with which you bought the stock?

Mr. SCHLEY. Yes.

Mr. LITTLETON. And you returned that money to Moore & Schley?

Mr. SCHLEY. Yes.

Mr. LITTLETON. And you paid off that loan?

Mr. SCHLEY. Yes.

Mr. LITTLETON. So that out of the sale of Kessler's bonds you paid Kessler's loan, and out of the sale of your bonds you paid your debt to Moore & Schley, and they thereby came into possession of the amount of funds which those two payments aggregated.

Mr. SCHLEY. And Moore & Schley took these $12,000,000 and paid off these loans.

Mr. LITTLETON. Paid them off to whom?

Mr. SCHLEY. We were in bank. We liquidated those loans.

Mr. LITTLETON. Did you liquidate the one to Morgan & Co.?

Mr. SCHLEY. Gradually; not immediately.

Mr. LITTLETON. To the First National Bank?

Mr. SCHLEY. Gradually. We took the lines of least resistance right off and fixed it up.

Mr. LITTLETON. You mean that you made partial payments?

Mr. SCHLEY. I mean that we paid off the loans.

Mr. LITTLETON. All of them?

Mr. SCHLEY. We paid off $12,000,000 worth. That made a great difference.

Mr. LITTLETON. You had thirty-odd millions of loans, then?

Mr. SCHLEY. Yes; but we did not have so many of like ones. We disposed of a great many of them.

Mr. LITTLETON. In paying off the loans that you did pay off with the proceeds of your bonds and Kessler's bonds, you were not paying off any loans which had been called?

Mr. SCHLEY. No loans were ever called on Moore & Schley that were not paid at any time.

Mr. LITTLETON. I say, you did not pay off any loans which the banks were demanding you should pay?

Mr. SCHLEY. They never did demand that we should pay, but we did pay.

Mr. LITTLETON. That is an answer, if that is so.

Mr. SCHLEY. That is so.

Mr. LITTLETON. In other words, the pressure was not from the banks upon the loans which you paid?

Mr. SCHLEY. The pressure was in the great amount of the loans. None of these banks wanted to loan that money to me, because they were down in their reserves to 14 per cent, and some of them to 10.

Mr. LITTLETON. But the banks were not troubling you about your loans?

Mr. SCHLEY. The banks were calling on these exchanges all the time.

Mr. LITTLETON. Did Moore & Schley have about seven millions of time loans which had matured?

Mr. SCHLEY. To answer that I will have to tell you the general method of Moore & Schley in borrowing money. I have always felt, in good times or bad, that three-quarters of our money should be

borrowed on time, so that I could sleep nights, and so that if some sudden thing happened we would be ready with at least three-quarters or seven-eighths of the money borrowed on time, no matter how low the call rates were. For four or five months previous to this period, or for six months, it was impossible to borrow of the banks any time money. Our maturities were two or three millions a month—four millions some months and five millions some months—maturities of those time loans. They all became call money at the last. We had very little time money at the end. We could not reimburse ourselves, and so all those loans were call loans, which are more or less dangerous; and I was very glad to be able to pay them off.

Mr. STERLING. That is, as the time loans matured the banks required call loans?

Mr. SCHLEY. As our time loans matured at the bank, I had to replace them with money on call.

Mr. LITTLETON. I take it that when the $7,000,000—if that was the right figure—of the time loans matured they were converted into call loans from that time on?

Mr. SCHLEY. I do not know of any particular $7,000,000 of time loans.

Mr. LITTLETON. I am using the figures subject to your correction. Whatever time loans you had, when they matured—and they did mature about that time—they were converted into call loans?

Mr. SCHLEY. There were no seven millions or any such amount.

Mr. LITTLETON. I have withdrawn the seven millions. I said whatever time loans there were.

Mr. SCHLEY. We borrowed money for 6, 8, 9, or 14 months—as much as we could—and we tried to put in each month two or three or four or five million dollars of maturities. As those maturities fell due, we were compelled to replace the loans on call. There was nothing special at that time in that transaction.

Mr. LITTLETON. Did you have a large amount of time loans at that particular time?

Mr. SCHLEY. Not especially.

Mr. LITTLETON. The loans that you paid off were call loans?

Mr. SCHLEY. Most of them, I think. Yes; almost all of our money was on call at that time.

Mr. LITTLETON. The situation was this, was it not: You had a great amount of money borrowed from banks—your firm—and the banks had not called on you to pay those loans; they had not specifically requested you to take out any particular collateral and substitute other collateral?

Mr. SCHLEY. That is right.

Mr. LITTLETON. They had made no drive on Tennessee Coal & Iron stock, as such? That is so?

Mr. SCHLEY. Yes.

Mr. LITTLETON. There had been no pressure put upon Moore & Schley by the banks on their loans, had there? Is that right?

Mr. SCHLEY. That is right.

Mr. LITTLETON. But the difficulty was that you and Kessler had this stock on hand, you owing upon your stock to Moore & Schley a large amount of money, and Kessler owing to Moore & Schley a large amount of money on his stock; and the thing was just at that particular angle, was it not?

Mr. SCHLEY. No; it was spread around at other angles. I brought out from my private box enough of value to practically pay for Kessler's and my loans, and put it in there.

Mr. LITTLETON. You mean before the sale?

Mr. SCHLEY. Long before the sale; a year or six months before—everything I had. I sold many of my things to relieve that. If you are going to bring it down to the personality of Mr. Kessler and myself, for the cause of it, I had most of my securities to my own credit in Moore & Schley's.

Mr. LITTLETON. I did not for a moment intend that.

Mr. SCHLEY. I took from my private box a large amount of securities and put them to the credit of Moore & Schley; I put them in Moore & Schley's office to my credit; and those securities were in value ample to protect Kessler's and Schley's account, and nearly enough to pay for them.

Mr. LITTLETON. And those securities were put up to protect your and Kessler's account?

Mr. SCHLEY. They were put up to protect the whole account; and if you are going to put Kessler's and mine as a specific loan, I would like to put this particular credit specifically against that.

Mr. LITTLETON. Were those securities that you had to put up the securities which Col. Payne——

Mr. SCHLEY. They had nothing to do with Col. Payne.

Mr. LITTLETON (continuing). Had exchanged with you?

Mr. SCHLEY. No; no. I am talking about securities of my own, in my private box. They had nothing to do with Col. Payne.

Mr. LITTLETON. When did you put up those securities to protect the joint account?

Mr. SCHLEY. In 1906 and 1907; any time when it was needed.

Mr. LITTLETON. Moore & Schley were protected, as a firm, against the indebtedness of Schley?

Mr. SCHLEY. They were.

Mr. LITTLETON. And also against the indebtedness of Kessler?

Mr. SCHLEY. Hardly that. It was not enough for all that. It was a very wide margin, but not enough to pay the whole of that debt.

Mr. LITTLETON. How much do you think they were protected against those two accounts?

Mr. SCHLEY. $7,000,000 or $8,000,000.

Mr. LITTLETON. $7,000,000 or $8,000,000?

Mr. SCHLEY. Yes.

Mr. LITTLETON. And your indebtedness and Kessler's indebtedness amounted to how much, to Moore & Schley?

Mr. SCHLEY. Perhaps something on that same order.

Mr. LITTLETON. In the same neighborhood?

Mr. SCHLEY. Yes.

Mr. LITTLETON. So that at the time the Tennessee Coal & Iron stock was sold or the exchange was effected, Moore & Schley had on deposit or up with them your private securities, practically equal to the aggregate indebtedness of Kessler and yourself to Moore & Schley?

Mr. SCHLEY. I would not say quite that.

Mr. LITTLETON. Approximately that?

Mr. SCHLEY. Approximately.

Mr. LITTLETON. So that when you paid off Kessler's indebtedness and your indebtedness to Moore & Schley you thereby released to yourself the securities which had been put up by you to protect, substantially, these two debts. Is that right?

Mr. SCHLEY. That is right.

Mr. LITTLETON. This might not have been a good business thing to do, and when I ask it, you must not charge me with not knowing anything about it, because I am asking the question for information. If you had permitted Moore & Schley to use the securities which you put up—were they standard securities?

Mr. SCHLEY. Not so very good in that way.

Mr. LITTLETON. What?

Mr. SCHLEY. Not excellent.

Mr. LITTLETON. Could you borrow on them?

Mr. SCHLEY. On some of them; yes.

Mr. LITTLETON. On how many of them?

Mr. SCHLEY. Half of them.

Mr. LITTLETON. Could you have made the loans you were accustomed to make at the bank?

Mr. SCHLEY. Not on all the securities.

Mr. LITTLETON. On half of them?

Mr. SCHLEY. I might have used them afterwards. I could have exchanged the securities and gotten good securities for them.

Mr. LITTLETON. Do you think that in those loans that Moore & Schley had with the various banks there was any more Tennessee Coal & Iron up than there was Tobacco?

Mr. SCHLEY. I do not think there was as much in the total. Yes; there was more. I should think about the same, or perhaps a little more Tennessee than Tobacco.

Mr. LITTLETON. Substantially the same?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Was there any more Tennessee Coal & Iron stock up in those loans than there was Republic stock?

Mr. SCHLEY. Far and away more.

Mr. LITTLETON. What other industrial besides the Republic, Tobacco, and Tennessee were in those loans?

Mr. SCHLEY. Hudson Terminals—a million and a quarter of those. Do you find it necessary, Mr. Littleton, to ask all these questions in connection with the original business? These are all personal. I wish you would not.

Mr. LITTLETON. Well——

Mr. SCHLEY. All right; I will give it to you. I had 15,000 shares of Storage Battery. Most of that was mine. We had 30,000 shares of American Tobacco common and 25,000 shares of—well, that is giving enough of the total.

Mr. LITTLETON. You will understand that the purpose of my questions is not for one moment to make you disclose your private matters. The object is to see what relative proportion the Tennessee Coal & Iron collateral bore to the other industrial stock that you put up. That is what I ask.

Mr. SCHLEY. You have arrived at that four or five times in four or five different ways already.

Mr. LITTLETON. Well, you know it so well, and I know it so badly. It may be clear in your mind, but it is not clear in mine; and that is the reason I ask the question. I have not the slightest desire to embarrass you, and if I know I am doing it I shall desist, because I have no desire to do so. I simply want to ascertain the facts as nearly as I can.

I have asked you once before, and you have not yet, as I see, answered the question directly, although you did say that maybe it was not necessary to sell the Tennessee Coal & Iron to preserve Moore & Schley's firm. I want you to state in detail, if you will, what effect it had outside of the payment of the $12,000,000 which you credited to the payment of Kessler's indebtedness and your indebtedness to Moore & Schley, and putting them in a position to enable them to pay off other loans that they had. Could it have any effect upon the other loans that Moore & Schley had out?

Mr. SCHLEY. The effect was enormous, Mr. Littleton. When you reduce $35,000,000 of loans by $12,000,000, bringing it down to $23,000,000, you are bringing into your box 30 or 35 per cent, or whatever the margin was you had up of new material, to bring into your box and swell it. Thirty per cent of $12,000,000 is $3,600,000. That strengthens you, and your loans are less; and Moore & Schley were $5,000,000 richer, with much less loans—within 35 days impregnable.

Mr. LITTLETON. Would not the loaning of that much money to Moore & Schley have achieved the same purpose?

Mr. SCHLEY. No—would not the loan of so much money?

Mr. LITTLETON. Of the same amount of money, I mean.

Mr. SCHLEY. I can not conceive of anybody loaning us $12,000,000. How do you mean?

Mr. LITTLETON. I can not, either, but I am asking the question; and I am simply asking the question for an answer.

Mr. SCHLEY. Yes; if somebody would loan us that without interest, it would help just the same.

Mr. LITTLETON. If the Steel Co. would lend you the $5,000,000 or $6,000,000 which it is said in the record they would have loaned, and which you said would have made you happy, that would have made you happy?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. And that would have saved the situation, in your opinion?

Mr. SCHLEY. Yes; but I do not remember that, unless it was as I said before, when Mr. Ledyard came to me and said they would loan $5,000,000 or more, perhaps—$5,000,000 or $6,000,000—with certain collateral that was offered. I can not tell what it was, because I dismissed it almost immediately and did not reflect upon it.

Mr. LITTLETON. Suppose you had taken the amount of money that Mr. Gates put at your disposal in bonds, $3,000,000—and I am assuming that the Steel Co. offered to do it, because it is in the record. Then suppose the Steel Co. had loaned you the $5,000,000 or $6,000,000 in addition to the amount of money that Mr. Gates put at your disposal; there would have been no necessity for the sale of the Tennessee Coal & Iron stock for the relief of Moore & Schley, would there?

Mr. SCHLEY. No. I do not want to put Mr. Gates's very kind offer into it at all. That is a personal matter between him and myself, and I would not have taken his money.

Mr. LITTLETON. I am asking you——

Mr. SCHLEY. I would not.

Mr. LITTLETON. Nevertheless, I have the right to ask you.

Mr. SCHLEY. But that could not get into the consideration of what we would do, because I would not have taken Gates's money or the money of anyone else who sent me $3,000,000 for nothing.

Mr. LITTLETON. You exchanged with Col. Payne?

Mr. SCHLEY. I gave him more than he gave me, as it afterwards proved, in value, but I could not have taken that kind of a gift of somebody's money.

Mr. LITTLETON. Could you not have exchanged with Gates in the same way?

Mr. SCHLEY. I had been exchanging pretty thoroughly up to that time. [Laughter.]

Mr. LITTLETON. You had nothing else to exchange?

Mr. SCHLEY. I could not keep on exchanging indefinitely.

Mr. LITTLETON. I dare say that anybody could not; but that is not the point.

Mr. SCHLEY. I could not have done that with Gates. You asked me the question about Gates, and I would like to place him where he belongs.

Mr. LITTLETON. The point I make is this: Were you in a situation then so that you could not make an exchange with Gates?

Mr. SCHLEY. I would have to go back and look things over. Possibly I could have raked something up.

Mr. LITTLETON. If you had made an exchange with Gates as you did with Payne, you could have used the $3,000,000 he put at your disposal?

Mr. SCHLEY. Surely.

Mr. LITTLETON. And if you had had that, and the amount the Steel Co. offered to loan you, you could have relieved the situation very largely, could you not?

Mr. SCHLEY. That is right; but if the Steel Co. wanted more collateral for the $5,000,000 they offered to loan I would have had to obtain that collateral from some other loan.

Mr. LITTLETON. Did they loan $1,200,000 prior to that time—the Steel Co.?

Mr. SCHLEY. Mr. Frick and Mr. Ream and Mr. Gary some time before that saw me, or I saw those three gentlemen, and told them I would like to have them examine some securities that I had. I had a list of securities. They picked the Tennessee. I said if they would take it for 60 I would take their bonds in exchange, for six months. That was an exchange of securities. It was an agreement, absolutely, that if they were not paid for at the end of six months it would be a sale.

Mr. LITTLETON. If not paid for at the end of six months, it would become a sale of the stock?

Mr. SCHLEY. Yes.

Mr. LITTLETON. What securities did they pick out?

Mr. SCHLEY. Tennessee Coal & Iron.

Mr. LITTLETON. Did they take all of the security in Tennessee Coal & Iron?

Mr. SCHLEY. Nothing but Tennessee Coal & Iron; and I took their bonds.

Mr. LITTLETON. $1,200,000?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. Did you put up any other collateral except Tennessee Coal & Iron?

Mr. SCHLEY. That is all.

Mr. LITTLETON. Did you offer them other collateral?

Mr. SCHLEY. I gave them their choice and they accepted that.

Mr. LITTLETON. You gave them their choice between what stocks?

Mr. SCHLEY. Tobacco was on the list, and Guggenheim Exploration, and perhaps four or five others. I have forgotten. There was quite a list of them.

Mr. LITTLETON. And having their choice of the securities which they would take for that loan, they picked out wholly Tennessee Coal & Iron?

Mr. SCHLEY. Yes.

Mr. LITTLETON. And they took it——

Mr. SCHLEY. At 60.

Mr. LITTLETON. They had the arrangement that if the loan was not paid in six months that stock would become theirs?

Mr. SCHLEY. That was a part of the agreement.

Mr. LITTLETON. How much stock did they take of the Tennessee Coal & Iron Co.?

Mr. SCHLEY. I think it was $2,000,000, leaving $1,200,000, and I had $1,200,000 of bonds—or it may have been less than that.

Mr. LITTLETON. How was that stock finally disposed of? Did they keep it?

Mr. SCHLEY. That loan must have been made about three months before this October settlement, so when the exchange was made it was passed through as a sale.

Mr. STERLING. They took it at 100?

Mr. SCHLEY. Yes; we adjusted it in the regular way.

Mr. LITTLETON. When the final exchange was made the stock that had been taken at 60 on the $1,200,000 loan was exchanged at 100?

Mr. SCHLEY. 119.407.

Mr. LITTLETON. And it was taken in exchange for the bonds at par?

Mr. SCHLEY. Yes, sir.

Mr. LITTLETON. Did Judge Gary explain in any way at all to you how it was that he came up from 60 for the stock to par?

Mr. SCHLEY. No; he was very reluctant to do it, apparently.

Mr. LITTLETON. When he came up to 90, did he make any explanation as to why he came up?

Mr. SCHLEY. No.

Mr. LITTLETON. And the jump was made from 60 to par without any explanation of why the Steel Co. thought it was necessary to increase their offer?

Mr. SCHLEY. There was some little argument; but each one of these is 60 and 75.

Mr. LITTLETON. You are right about the 75.

Mr. SCHLEY. Neither 60 nor 75 was acceptable to me, and they went away. They came back and offered us par, and said they would concede par.

Mr. LITTLETON. And this money, the $1,200,000, was loaned October 23, was it not?

Mr. SCHLEY. Which money?

Mr. LITTLETON. The $1,200,000 loan.

Mr. SCHLEY. I think it must have been before that. Was not the whole trade made in October, 1907?

Mr. LITTLETON. The loan of $1,200,000 of bonds, I think, was dated October 23.

Mr. SCHLEY. 1907?

Mr. LITTLETON. Yes; the records show that.

Mr. SCHLEY. But November is when we made our trade, is it not? It may have been just a month ahead.

Mr. LITTLETON. October 23.

Mr. SCHLEY. That must have been it. It was only a month before.

Mr. LITTLETON. The final exchange came less than a month after that?

Mr. SCHLEY. Yes; so it seems now.

Mr. LITTLETON. I think the final exchange came November 7.

Mr. LINDABURY. That is the date.

Mr. SCHLEY. I am very much surprised if there was not more than two weeks in there.

Mr. LITTLETON. Two weeks after the loan of the $1,200,000 of bonds which you have described for the Tennessee Coal & Iron stock, at 60—two weeks after the exchange was effected by which the Steel Co. became the owner of a majority of the stock.

Mr. SCHLEY. I know that at the time the loan was paid—I will call it a loan—at that time I had no contemplation of selling the property.

Mr. LITTLETON. Col. Payne had been talking to you for months before, had he not?

Mr. SCHLEY. Not very much; simply remarking as we passed, "The weather is bad to-day." There was no distress on his part.

Mr. LITTLETON. As I understood your testimony, you said that Col. Payne for a month had been suggesting to you that it would be a good thing?

Mr. SCHLEY. During the month he suggested. I did not mean to say that he was pressing the suggestion—and he had no right to, in the first place, and he would not do it—but he spoke of that as his judgment. I don't want him misunderstood, because he did not push it and press it. I would not like to say that of Col. Payne.

Mr. LITTLETON. What did you know about the trip to Washington?

Mr. SCHLEY. Nothing, until long after.

Mr. LITTLETON. Did you know that Judge Gary and Mr. Frick were going?

Mr. SCHLEY. I had not the slightest idea of it.

Mr. LITTLETON. Did you know they had gone after they had gone?

Mr. SCHLEY. I heard of it Monday.

Mr. LITTLETON. When you telephoned to Mr. Hanna, your co-syndicate manager, to come on here, did you advise him of the fact that the Tennessee Coal & Iron was about to be sold?

Mr. SCHLEY. I do not remember the wording of my telephone message.

Mr. LITTLETON. Mr. Schley, do you remember going to see Mr. Morgan prior to the time when this stock was sold?

Mr. SCHLEY. I did not go to see Morgan prior to that time.

Mr. LITTLETON. Did you not go to see Mr. Morgan prior to the time when the arrangement for the sale of the stock had been made, and disclose to him your ownership in the Tennessee Coal & Iron stock?

Mr. SCHLEY. No; I did not see Morgan about this at all.

Mr. LITTLETON. You mean that you did not talk to him at all about it?

Mr. SCHLEY. No.

Mr. LITTLETON. Or Perkins?

Mr. SCHLEY. Yes.

Mr. LITTLETON. You went to see Perkins?

Mr. SCHLEY. Perkins came to see me.

Mr. LITTLETON. What about?

Mr. SCHLEY. I asked him to come.

Mr. LITTLETON. Why?

Mr. SCHLEY. We were in Morgan's library—I think it was on Saturday morning——

Mr. LITTLETON. Where?

Mr. SCHLEY. In Morgan's library. Perkins was there. I said I would like to have him come up and talk the situation over with me at my office, 747 Fifth Avenue.

Mr. LITTLETON. When was this?

M. SCHLEY. I think this was Saturday morning.

Mr. LITTLETON. The Saturday morning before the Monday on which the trade was made?

Mr. SCHLEY. I think so.

Mr. LITTLETON. Go ahead.

Mr. SCHLEY. He came up to 747 Fifth Avenue and we simply talked it over. You were speaking of my being in communication with somebody besides Frick and Gary. I did not see Morgan during the whole transaction, except to pass by him, and he would say, "Good morning" and "How do you do." But, in reference to this business, when Perkins came to my office, about 5 o'clock, I think it was, Saturday afternoon, we talked generally about it. I brought my arguments to bear as to the value of the property as I saw it and understood it to be, and he said that Gary did not want to buy it, and he did not know what would come of it. I said that now it had gotten as far as this I did not know what would happen to us if the sale was not consummated, and that we would have trouble thereafter, and I would like to have it go through; but he had committed himself in no way, and he had no authority to do so, probably.

Mr. LITTLETON. You knew his partner was Mr. Morgan at that time?

Mr. SCHLEY. He was a partner of Mr. Morgan; yes.

Mr. LITTLETON. And he was a member of the finance committee of the Steel Co. at that time?

Mr. SCHLEY. I believe so.

Mr. LITTLETON. Did you urge upon him the advisability of selling this stock or, rather, of buying it?

Mr. SCHLEY. I simply stated to him what I considered the value of it to be to the Steel Co.

Mr. LITTLETON. What did you tell him the value to the Steel Co. was?

Mr. SCHLEY. I told him in my way that I thought in the great future it would be very valuable.

Mr. LITTLETON. And did you explain to him why you thought so?

Mr. SCHLEY. I do not remember the details of that statement.

Mr. LITTLETON. Did you make it plain to him why it would be a very valuable property for the Steel Co.?

Mr. SCHLEY. I do not think I made it plain to him.

Mr. LITTLETON. In what way did you attempt to make it plain to him?

Mr. SCHLEY. I told him the amount of ore that was estimated to be in the ground, the amount of coal, and of coking coal and dolomite and various other products. I talked in that general way. As I remember, he said to me at the time: "Well, the Tennessee Coal & Iron has had all of this for the last 20 years, and it is selling at $30 a share." It all comes in finding the money to bring the material out and get its earning capacity.

Mr. LITTLETON. Of course it is the fact that Morgan & Co. had been the fiscal agents of the company in their organization and in bringing out their bonds, and so forth.

Mr. SCHLEY. Oh, yes.

Mr. LITTLETON. You have said that no bank ever called your loans during that time?

Mr. SCHLEY. No; we had many a loan called.

Mr. LITTLETON. During this period?

Mr. SCHLEY. They did not call my loans; or if any was called I paid it.

Mr. LITTLETON. You had not defaulted in any payment during that time?

Mr. SCHLEY. No, sir.

Mr. LITTLETON. Prior to this time?

Mr. SCHLEY. No, sir.

Mr. LITTLETON. There never was a time when you and the Moore & Schley people did not meet their payments up to that time?

Mr. SCHLEY. No.

Mr. LITTLETON. And so far as you knew, Moore & Schley were able to take care of themselves?

Mr. SCHLEY. That day.

Mr. LITTLETON. That is all that brokerage houses can say in days of distress, is it not—"that day"?

Mr. SCHLEY. Hardly; you could not continue on that basis very long.

Mr. LITTLETON. Were Moore & Schley at that time facing failure in your opinion?

Mr. SCHLEY. What?

Mr. LITTLETON. Were Moore & Schley, as a firm, facing failure at that time?

Mr. SCHLEY. The situation was serious.

Mr. LITTLETON. That is your answer to that question?

Mr. SCHLEY. That is not specifically the answer, except in this: No one could tell what to-morrow would bring forth. Preparations every day were made properly for that day up to that time; but I could not tell what would happen to-morrow.

Mr. LITTLETON. That was not only true of Moore & Schley, was it?

Mr. SCHLEY. What is that?

Mr. LITTLETON. That was not only true of Moore & Schley? That was true of other concerns, was it not?

Mr. SCHLEY. Yes.

Mr. LITTLETON. I suppose that was true of a great many financial institutions in this city, was it not?

Mr. SCHLEY. Yes.

Mr. LITTLETON. We never know what to-morrow will bring forth.

Mr. SCHLEY. Yes; but there is always, in the history of every house or every large financial institution, the fact that if the securities are on a certain range of prices they have to figure their immediate resources, to find a condition below that, because it is likely to be there to-morrow.

Mr. LITTLETON. You do not think that the situation of Moore & Schley was any different from that of any other large financial institution, bank, or brokerage house at that time?

Mr. SCHLEY. We were more extended than we ought to have been and it came upon us like an avalanche.

Mr. LITTLETON. You were more extended than you ought to have been?

Mr. SCHLEY. Yes.

Mr. LITTLETON. And you had more obligations out?

Mr. SCHLEY. Yes.

Mr. LITTLETON. That was true of other financial institutions, was it not?

Mr. SCHLEY. I can not speak for them.

Mr. LITTLETON. Mr. Schley, I want to read you from a letter by the then President, Mr. Roosevelt, on November 4, 1907, to the Attorney General: "Judge E. H. Gary and Mr. H. H. Frick, on behalf of the Steel Corporation, have just called on me. They state that thereis a certain business firm—the name of which I have not been told, but which is of real importance in New York business circles—which will undoubtedly fail this week if help is not given."

Did you say to Judge Gary or Mr. Frick that the firm of Moore & Schley would undoubtedly fail or would be liable to fail that week?

Mr. SCHLEY. I did not.

Mr. LITTLETON. Did you know they were going to see the President of the United States or to make any such statement as that?

Mr. SCHLEY. I did not know they were going to see the President of the United States.

Mr. LITTLETON. It says here:

"Among its assets are a majority of the securities of the Tennessee Coal Co."

Were the assets of Moore & Schley, or did they contain a majority of the Tennessee Coal Co.'s stock? I mean Moore & Schley's assets?

Mr. SCHLEY. I should not think so; but it approximated it.

Mr. LITTLETON. Moore & Schley, as a matter of fact, did not have among their assets a majority of the stock of the Tennessee Coal Co., did they?

Mr. SCHLEY. It approximated it.

Mr. LITTLETON. Certainly 118,000 shares of the original syndicate belonged to the syndicate subscribers, did it not?

Mr. SCHLEY. Until some of those hypothecated part of that through Moore & Schley.

Mr. LITTLETON. The larger number of them paid for their stock, did they not?

Mr. SCHLEY. About half, I should think.

Mr. LITTLETON. The letter goes on to say:

Application has been urgently made to the Steel Corporation to purchase this stock as the only means of avoiding a failure.

Did you make application to the Steel Co. to purchase this stock as the only means of avoiding a failure of Moore & Schley?

Mr. SCHLEY. No; I did not.

Mr. LITTLETON (reading):

Judge Gary and Mr. Frick inform me that as a mere business transaction they do not care to purchase the stock.

Did they say to you that their object in negotiating for the purchase of the stock was wholly to save Moore & Schley?

Mr. SCHLEY. No.

Mr. LITTLETON. Was there any pretense at the time that the negotiations by the Steel Co. were for the sole purpose of preventing the failure of Moore & Schley?

Mr. SCHLEY. Not to me.

Mr. LITTLETON. You were the representative of Moore & Schley, conducting the negotiations, were you not?

Mr. SCHLEY. Regarding the sale of the stock; yes.

Mr. LITTLETON. Did Judge Gary or Mr. Frick say to you on that occasion, or to anybody else, that they did not want to purchase the stock, that they did not want the stock, that they did not want the Tennessee Coal Co., but were doing it for the purpose of saving your firm from failure?

Mr. SCHLEY. Not to me.

Mr. LITTLETON. Mr. Moore has been dead for a good many years, has he not?

Mr. SCHLEY. Yes; he died in 1899.

Mr. LITTLETON. You were the senior member of the firm? You are?

Mr. SCHLEY. I am.

Mr. LITTLETON. As a matter of fact?

Mr. SCHLEY. Yes.

Mr. LITTLETON. And you were at that time, were you not?

Mr. SCHLEY. Mr. Moore died in 1899.

Mr. LITTLETON. He goes on to say—the then President, Roosevelt:

They further inform me that, as a matter of fact, the policy of the company—

That is, of the Steel Co.—

has been to decline to acquire more than 60 per cent of the steel properties, and that this purpose has been persevered in for several years past, with the object of preventing these accusations, and as a matter of fact, their proportion of steel properties has slightly decreased, so that it is below this 60 per cent, and the acquisition of the property in question will not raise it above 60 per cent.

Was there any discussion of that sort?

Mr. SCHLEY. No; I never heard of that.

Mr. LITTLETON (reading):

But they feel that it is immensely to their interest, as to the interest of every responsible business man, to try to prevent a panic and general industrial smash-up at this time.

Did Judge Gary or Mr. Frick suggest to you that that was their purpose in buying the stock?

Mr. SCHLEY. No.

Mr. LITTLETON (reading):

And that they are willing to go into this transaction, which they would not otherwise go into, because it seems the opinion of those best fitted to express judgment in New York that it will be an important factor in preventing a break that might be ruinous.

Was that discussed at the time?

Mr. SCHLEY. No.

Mr. LITTLETON (reading):

And that this has been urged upon them by the combination of the most responsible bankers in New York, who are now thus engaged in endeavoring to save the situation.

Was there anything urged upon them, so far as you know, by responsible bankers in New York, that that was the only way to save the situation?

Mr. SCHLEY. In all my interviews with Frick and Gary it was simply as to the price of the security. We went into no long statements.

Mr. LITTLETON. Mr. Schley, do you know of any conference of responsible bankers in New York, who conferred concerning this supposed exchange?

Mr. SCHLEY. I heard that there were such conferences.

Mr. LITTLETON. And were the conferences directed to the proposition of saving the situation in New York by saving Moore & Schley from failure?

Mr. SCHLEY. I believe they had Moore & Schley classed with Oakleigh Thorne, the Knickerbocker Trust, and the Lincoln Trust Co. for a week or so.

Mr. LITTLETON. Had they classified the Trust Co. of America and Moore & Schley together?

Mr. SCHLEY. No; there was a question as to which was first, I heard.

Mr. LITTLETON. Which was the first on the road to ruin?

Mr. SCHLEY. Which was the first to be saved.

Mr. LITTLETON. You mean that in their solicitude they had made an examination as to which one of the institutions would be saved?

Mr. SCHLEY. Yes.

Mr. LITTLETON. They were determining which one they would save first?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Did you understand that?

Mr. SCHLEY. I heard there was such talk.

Mr. LITTLETON. Were they trying to save the Trust Co. of America at all because it was a lender on some of this stock?

Mr. SCHLEY. No.

Mr. LITTLETON. There was no concern about the Trust Co. of America, so far as you were concerned?

Mr. SCHLEY. No; no interest whatever with the Trust Co. of America.

Mr. LITTLETON. When did you learn that the Trust Co. of America was being discussed in regard to this liability to failure?

Mr. SCHLEY. I can not tell you; that was constantly in the newspapers of the day.

Mr. LITTLETON. You read that in the newspapers?

Mr. SCHLEY. Yes.

Mr. LITTLETON. Did you, as the representative and senior member of Moore & Schley, ever say to anybody in this negotiation that in your opinion it was necessary to exchange the stock of the Tennessee Coal & Iron Co. for United States Steel bonds in order to save Moore & Schley from failure?

Mr. SCHLEY. No; I never made that specific statement.

Mr. LITTLETON. Did you ever make any statement which, in substance, would bear that import?

Mr. SCHLEY. No, sir.

Mr. LITTLETON. I call your attention to the statement of Mr. Perkins in his testimony before the Judiciary Committee of the Senate. Mr. Perkins says, at page 81:

My recollection is that he—

Referring to Mr. Ledyard—

represented this partnership that was in difficulty, and in the general turmoil and distress of things in New York was seeking some way to try to alleviate this particular trouble that had loomed up, and went to see Mr. Morgan in that connection.

He was in error, was he not, in regard to saying that Mr. Ledyard represented your firm?

Mr. SCHLEY. I asked Mr. Ledyard to see Mr. Morgan.

Mr. LITTLETON. He went to see him on your request, but it was in a general way and he did not represent the firm of Moore & Schley?

Mr. SCHLEY. No, sir.

Mr. LITTLETON. Did you tell Ledyard when he went to see Morgan to say to him that your firm was in such distress that you thought, in substance, it would require the sale of the Tennessee Coal & Iron stock to save it?

Mr. SCHLEY. No.

Mr. LITTLETON. As a final question, Mr. Schley, are you prepared to say that, in your opinion, the failure of Moore & Schley was prevented by the sale of the Tennessee Coal & Iron stock?

Mr. SCHLEY. I can not say that.

Mr. LITTLETON. That is all, Mr. Chairman.

Mr. STERLING. I wish you would state again the reason that you gave this morning—I am not sure that I understood it—why the Tennessee stock was not good at the banks.

Mr. SCHLEY. Well, it had a very limited market.

Mr. STERLING. Why was that?

Mr. SCHLEY. There was very little stock afloat. It was known that a syndicate had obtained control, and again Mr. Kessler was known to be active in the stock.

Mr. STERLING. Why did the fact that the syndicate had obtained control—why did that affect its value as collateral at the banks?

Mr. SCHLEY. That did not, I should say, affect its value as collateral at the banks. The banks were disturbed by the fact that the stock had no market. What they want is something that they can sell readily.

Mr. STERLING. There was real value behind every dollar of this Tennessee stock?

Mr. SCHLEY. It had ore in the ground.

Mr. STERLING. It was so generally regarded by men who knew about stocks that there was real value behind it?

Mr. SCHLEY. That there was the ore in the ground with a limited earning capacity.

Mr. STERLING. Why is it that it did not pass in the market in exchange the same as the other stocks—the railroad stocks that you mentioned?

Mr. SCHLEY. There was a dearth of buyers, I suppose.

Mr. STERLING. If it had real value, why is it that there was a dearth of buyers?

Mr. SCHLEY. I might ask you the same question.

Mr. STERLING. I could not answer it. I am asking you for information; I thought maybe you knew.

Mr. SCHLEY. I can not answer it.

Mr. STERLING. Was there anything in your syndicate agreement whereby the syndicate stock could not be sold unless it was all sold?

Mr. SCHLEY. I think not.

Mr. STERLING. I think I understood other witnesses to say that this stock was bound up in this way and that the syndicate part of the stock could not be sold unless all of the syndicate holders agreed to sell, and that it was known in the market and on the Street as pegged stock. Is that true?

Mr. SCHLEY. I do not think the word pegged would apply to that condition.

Mr. STERLING. If I remember, Mr. Hanna used that expression in describing the stock.

Mr. SCHLEY. Not applying it in the connection you had it a moment ago in your question.

Mr. STERLING. What did he mean by that, if it was not due to the fact that it was tied up in the agreement? What did he mean by pegged?

Mr. SCHLEY. Probably he meant that Mr. Kessler or somebody else was holding it at a pegged price.

Mr. STERLING. What does that mean?

Mr. SCHLEY. That he had put a bid under the market and was holding it at that specific price, and it did not have a free market.

The CHAIRMAN. Is not that provided in the syndicate agreement that a majority of the stock could not be sold?

Mr. SCHLEY. That is right. The syndicate stock could not be sold without the consent of Mr. Hanna.

The CHAIRMAN. Of both the syndicate managers?

Mr. SCHLEY. That is right.

Mr. STERLING. Did that have anything to do with the fact that the stock was not good collateral at the banks?

Mr. SCHLEY. Very little.

Mr. STERLING. Have you read Mr. Hanna's testimony?

Mr. SCHLEY. Yes, sir.

Mr. STERLING. You do not agree with him on that proposition?

Mr. SCHLEY. I think I agree with Mr. Hanna.

Mr. STERLING. The impression I got from Mr. Hanna was that the reason that the stock was not good at the banks was the fact that it was tied up by this agreement so it could not be sold?

Mr. SCHLEY. I think Mr. Hanna did not quite mean that.

Mr. STERLING. Maybe I am mistaken about that; that is my recollection. You think, then, as a matter of fact, that it was just as good collateral at the banks as Republic stock and Tobacco stock for several months prior to the panic of 1907?

Mr. SCHLEY. I do not think it was.

Mr. STERLING. In what way did it differ?

Mr. SCHLEY. It did not have so active a market as either of those stocks.

Mr. STERLING. But the other two and this other stock in which you were interested were of the same general character as Tennessee Coal & Iron, except not to the same degree?

Mr. SCHLEY. Yes, sir.

Mr. STERLING. You had loans in Chicago, in Philadelphia, in Boston, and in New York on which you had put up some Tennessee Coal & Iron stock?

Mr. SCHLEY. I did not say that.

Mr. STERLING. Well, did you?

Mr. SCHLEY. I can not answer it now; probably.

Mr. STERLING. Can you not give a general idea?

Mr. SCHLEY. I think so.

Mr. STERLING. Well, do so.

Mr. SCHLEY. I say I think so. I think some of the Chicago loans which were negotiated through New York banks were of the character that took some portion of our Tennessee stock.

Mr. STERLING. Did I understand you to say in your examination by Mr. Littleton that none of the banks were demanding of your firm or of you that you take up the Tennessee stock and give them something else in lieu in security?

Mr. SCHLEY. That was a very general demand upon us.

Mr. STERLING. From different banks?

Mr. SCHLEY. Yes, sir.

Mr. STERLING. In New York and in these other cities?

Mr. SCHLEY. Generally. I could not designate one.

Mr. STERLING. Could you designate any bank that was making that request of you?

Mr. SCHLEY. No, sir.

Mr. STERLING. Were the banks very generally, that had this stock, making that demand of you?

Mr. SCHLEY. It was generally regarded with disfavor as collateral.

Mr. STERLING. Do you know of any particular bank that was connected directly or indirectly with the United States Steel Co., and was pressing it more than other banks?

Mr. SCHLEY. No.

Mr. STERLING. During this investigation, and before, for that matter, I have heard of the Morgan banks in New York City. Is there a line of banks here generally known as the Morgan banks?

Mr. SCHLEY. It would be difficult to distinguish. I think it is a misnomer. I do not think it is fair.

Mr. STERLING. Do you understand it to mean those banks in which Mr. Morgan has an interest or holds an office?

Mr. SCHLEY. That name is applied to some banks in which he has no office, and even no interest; I do not know.

Mr. STERLING. Why would that be done; simply as a matter of ignorance, or would a bank be called designedly a Morgan bank, even though he had no interest in it?

Mr. SCHLEY. I can not trace back the first cause of such a condition of mind.

Mr. STERLING. Were any of the banks known as the Morgan banks requesting you to take up the Tennessee loans?

Mr. SCHLEY. No, sir.

Mr. STERLING. Do you say that there was a distinction between the banks known as the Morgan banks and the other banks? Were the other banks pressing you to take up the Tennessee stock and give them something in lieu; not the Morgan banks?

Mr. SCHLEY. I have said that I did not know what the Morgan banks were.

Mr. STERLING. You know some of them?

Mr. SCHLEY. I have heard of some of them. The First National.

Mr. STERLING. Is not the First National recognized as a Morgan bank?

Mr. SCHLEY. I do not think it ought to be. I do not know a more independent man than its president.

Mr. STERLING. Is it called a Morgan bank?

Mr. SCHLEY. It may be by some.

Mr. STERLING. Do you know whether it is or not?

Mr. SCHLEY. It may be called so by John Smith; I would not so call it.

Mr. STERLING. Do you know of any financial institution in the city or in the country that seemed to you to make a point of discrediting that stock?

Mr. SCHLEY. No.

Mr. STERLING. Have you had a suspicion that anyone did anything, directly or indirectly, to bring about the situation that compelled Moore & Schley to make this sale or induced them to make it?

Mr. SCHLEY. I do not remember any such thought in my mind.

Mr. STERLING. Do you think that the United States Steel Corporation designedly brought about the situation, or brought about any of the conferences which led up and resulted in these negotiations?

Mr. SCHLEY. No.

Mr. STERLING. Is there anything in the transaction anywhere that leads you to think that the United States Steel Corporation was seeking to get hold of the Tennessee Co.?

Mr. SCHLEY. No.

Mr. STERLING. Up to that time?

Mr. SCHLEY. No. I have been unable to find such a reason.

Mr. STERLING. Who was it that first suggested to you that a possible purchaser could be found in the United States Steel Co.?

Mr. SCHLEY. I do not know but that the suggestion came from my own mind.

Mr. STERLING. Did you offer the suggestion to Payne?

Mr. SCHLEY. It came naturally to both of us.

Mr. STERLING. He has an interest in it?

Mr. SCHLEY. Yes, sir.

Mr. STERLING. What connection has he?

Mr. SCHLEY. A director, I believe.

Mr. STERLING. What other banks do you know of that he has an interest in, or holds an office?

Mr. SCHLEY. I do not know of any other.

Mr. STERLING. You know that he has an interest in more than one bank?

Mr. SCHLEY. Yes, sir.

Mr. STERLING. Can you name another bank?

Mr. SCHLEY. I do not know one. I do not know his holdings of bank securities.

Mr. STERLING. Do you say, Mr. Schley, that there is or is not, or was or was not any distinction in the treatment which your firm received from the Morgan banks and any other banks in the city or in the country?

Mr. SCHLEY. I can say that I do not know of any particular bank or system of banks that could be separated as specially attacking that situation.

Mr. STERLING. Do you know of anything that the United States Steel Co. did, directly or indirectly, through any man directly concerned with it, or any of the banks with which it was connected that had a tendency to discredit Tennessee stock?

Mr. SCHLEY. No; I have not been able to find it.

Mr. STERLING. Why did it occur to you that they might be a purchaser; or why did it occur to Payne that the United States Steel Corporation might become a purchaser?

Mr. SCHLEY. They were about the only company in existence that would want it.

Mr. STERLING. Was there any other reason that the United States Steel Co. might buy this stock except that it was the only company in the country who might want it or be able to handle it?

Mr. SCHLEY. I had no suggestion from anybody in that direction, beyond my own thought that they were the natural parties to go to.

Mr. STERLING. Did you ever investigate the question before the transfer as to what effect it would have on the business of the United States Steel Co. I mean by that, what effect it would have on their business as related to the iron and steel business of the country?

Mr. SCHLEY. I thought it would be very valuable.

Mr. STERLING. Did you consider that the United States Steel Co., by the acquisition of the Tennessee Coal & Iron Co., would give them a monopoly in several lines of iron production and iron manufacture?

Mr. SCHLEY. I could not consider that; but I knew that the Tennessee Coal & Iron Co. must have an enormous amount of money spent on it and must have attached to that money, more than all else, talent and ability and forcefulness in putting itself on the right line. Therefore, there was nothing in sight excepting the Steel Corporation, with its tremendous force in that way, to bring that about.

Mr. STERLING. At the time you say that it came to you that the United States Steel Co. might buy the Tennessee Coal & Iron Co.'s

stock, did it enter into your mind that they might want it for the reason that its acquirement would give them a monopoly of iron ore or coal, or in the manufacture of rails, or any other line of business in the iron and steel trade?

Mr. SCHLEY. I did not consider that, and I do not believe that that will exist. I was speaking with John Gates, and he said that his Moose Mountain, one in Canada, will carry as much as the Mesabi Range.

The CHAIRMAN. What was that?

Mr. SCHLEY. Mr. Gates said that his Moose Mountain ore in Canada, near Port Arthur, will carry as much ore as the Mesabi Range.

The CHAIRMAN. Do you believe that?

Mr. SCHLEY. I do not know whether to believe it or not. He believes it.

Mr. STERLING. Is he working it?

Mr. SCHLEY. Yes, sir; with Blair & Co.

Mr. STERLING. He is working that ore up there?

Mr. SCHLEY. Yes, sir.

Mr. STERLING. Where is his market?

Mr. SCHLEY. He will have a market on the Lakes, you know, and a 40-cent rate to the Lakes, a very low railroad rate.

Mr. STERLING. Forty cents?

Mr. SCHLEY. Yes, sir.

Mr. STERLING. That is a less rate than the Mesabi Range gets?

Mr. SCHLEY. I can not say.

Mr. STERLING. How far is that from Duluth?

Mr. SCHLEY. Port Arthur is on Lake Superior, on the eastern end.

Mr. STERLING. In Canada?

Mr. SCHLEY. Yes, sir.

Mr. STERLING. How far is it from Port Arthur?

Mr. SCHLEY. I can not tell you that; I should judge 75 miles.

Mr. STERLING. Is it shipped at Port Arthur?

Mr. SCHLEY. He is not ready yet.

Mr. STERLING. He is not mining it?

Mr. SCHLEY. Not commercially; not yet. That was only a passing remark, and I do not know that it is true. You will have to verify it by somebody who does know.

Mr. STERLING. Do you know anything about the extent of the ore there?

Mr. SCHLEY. No.

Mr. STERLING. The Moose Mountain ore?

Mr. SCHLEY. Moose Mountain ore.

Mr. STERLING. Do you know anything about the value of the ore, the per cent of iron?

Mr. SCHLEY. No, sir.

Mr. STERLING. Does he own it alone?

Mr. SCHLEY. No; he has several partners.

The CHAIRMAN. Speaking of Moose Mountain, how far is it from Moose Mountain to Birmingham?

Mr. SCHLEY. A thousand miles, I should think.

The CHAIRMAN. And how far to Pittsburg?

Mr. SCHLEY. It is on the eastern coast of Lake Superior.

The CHAIRMAN. How far is it from the lake to the mountain?

Mr. SCHLEY. About 75 miles.

The CHAIRMAN. What transportation facilities have they from the mountain to the lake?

Mr. SCHLEY. A railroad.

The CHAIRMAN. Do you know what the cost of transportation is?

Mr. SCHLEY. I heard Gates say that he got a rate of 40 cents.

The CHAIRMAN. Is that a magnetic ore?

Mr. SCHLEY. I will not go into that.

The CHAIRMAN. Do you know?

Mr. SCHLEY. No.

The CHAIRMAN. Do you not know that it is a magnetic ore, and is not available for commercial use at all?

Mr. SCHLEY. It may not be; I am not offering it.

Mr. BARTLETT. Mr. Schley, talking about the value of the Tennessee Coal & Iron Co. with reference to its property in Alabama, it was valuable as a manufacturing plant and much more valuable after you had spent $5,000,000 or $6,000,000 in improvements on it?

Mr. SCHLEY. Indeed it was. We had great hopes for it.

Mr. BARTLETT. As a promoter of the scheme to buy stock and put it into this syndicate you had the idea that it was very valuable, and you promoted it for the purpose not of selling the securities upon the market, but of increasing its value by improvement, as a permanent investment?

Mr. SCHLEY. Yes, sir.

Mr. BARTLETT. You had no idea of organizing the company for speculative purposes?

Mr. SCHLEY. No, sir; not at all.

Mr. BARTLETT. And the improvements of $5,000,000 or $6.000,000 had been made by the subscription to the new issue of stock by the stockholders?

Mr. SCHLEY. Yes, sir.

Mr. BARTLETT. Is it not a fact that when the property was sold to the United States Steel Corporation that by reason of the value of the property and the increased value by reason of the improvements you had put upon it added materially to the value of the United States Steel Corporation's securities?

Mr. SCHLEY. I think so.

Mr. BARTLETT. And when they got your securities, your stock in exchange for their securities, the securities of the United States Steel Corporation by reason of that fact became more valuable on the market?

Mr. SCHLEY. I believe so; yes, sir.

Mr. BARTLETT. That is a fact?

Mr. SCHLEY. Yes, sir.

Mr. BARTLETT. Now, with reference to the conditions in New York in October, 1907, you are familiar with the conditions by reason of your business here?

Mr. SCHLEY. Yes, sir.

Mr. BARTLETT. On October 23, 1907, you borrowed from the United States Steel Corporation $1,200,000 on $2,000,000 of Tennessee Coal & Iron Co.'s stock. Was not that about as serious a time in the panic as really had existed?

Mr. SCHLEY. You can not name one day worse than another.

Mr. BARTLETT. Was it not about as bad as before or after?

Mr. SCHLEY. It was all bad enough.

Mr. BARTLETT. Was not the crisis worse October 23 than at any other time?

Mr. SCHLEY. I can not speak of dates.

Mr. BARTLETT. Had it not been announced just before that, October 19, that the Morse & Heinze banks were about to fail, and had not the Morse & Heinze banks failed before October 23?

Mr. SCHLEY. I can not state the date.

Mr. BARTLETT. Had they not failed before you borrowed this money?

Mr. SCHLEY. Yes, sir.

Mr. BARTLETT. They had failed?

Mr. SCHLEY. Yes, sir.

Mr. BARTLETT. You remember they had a clearing-house committee here at that time?

Mr. SCHLEY. Yes, sir.

Mr. BARTLETT. And before you borrowed this money that they had issued a statement that they had decided to render them such assistance to meet their deposits as the committee may think necessary—that is, with reference to the Heinze-Morse-Thomas banks?

Mr. SCHLEY. I can not place that according to the date.

Mr. BARTLETT. Is it not a fact that on October 22 there was a run on the Knickerbocker Trust Co., which closed its doors that day, the day before you borrowed this money?

Mr. SCHLEY. I do not remember.

Mr. BARTLETT. Is it not a fact that the Knickerbocker Trust Co. had closed its doors before you made this loan?

Mr. SCHLEY. I can not recall it from memory.

Mr. BARTLETT. Is it not a fact that Mr. Perkins printed a statement about that time, October 23, about the time you made this exchange, in which he said: "The chief sore point is the Trust Co. of America." Do you remember that?

Mr. SCHLEY. I can not trace it by date. My memory of dates is very poor.

Mr. BARTLETT. On the very next day or about the time you made the exchange, is it not a fact that the Rockefeller and Morgan interests, it is said, and I believe never denied, advanced $60,000,000 to steady the stock market?

Mr. SCHLEY. I can not answer it.

Mr. BARTLETT. Do you not remember that statement was made about that time?

Mr. SCHLEY. Some such statement was made at that time, but I do not remember whether it was on that day or not.

Mr. BARTLETT. And Clark Williams was the State bank examiner at that time?

Mr. SCHLEY. I do not know.

Mr. BARTLETT. Do you not remember that he made a statement about that time that the situation was improving?

Mr. SCHLEY. I remember that he did make some such statement.

Mr. BARTLETT. About that time?

Mr. SCHLEY. I remember that it got worse right after that, too.

Mr. BARTLETT. It did?

Mr. SCHLEY. Yes, sir.

Mr. BARTLETT. You remember the President at that time congratulated his Secretary of the Treasury, Mr. Cortelyou, for having come to the rescue of the bank about that time in New York?

Mr. SCHLEY. Yes, sir.

Mr. BARTLETT. He did come to the rescue of the banks in New York about that time?

Mr. SCHLEY. I do not know whether it rescued them or not.

Mr. BARTLETT. He endeavored to do so?

Mr. SCHLEY. Yes, sir.

Mr. BARTLETT. He deposited a large amount of money, millions of dollars, for the purpose of relieving the situation about that time?

Mr. SCHLEY. I can not answer about that time. My memory for dates is very poor.

Mr. BARTLETT. Do you not remember that on October 26 or 27 Mr. Roosevelt not only congratulated his Secretary of the Treasury for coming to the rescue of the New York banks but he also congratulated the bankers of New York in a public statement, calling them "these conservative, substantial business men" who had done "invaluable service in checking the panic"? You remember that?

Mr. SCHLEY. Something of that nature.

Mr. BARTLETT. Is it not a fact that the statement of the President was published in the papers on the morning of October 26, in which he congratulated the Secretary of the Treasury and these "patriotic, conservative, substantial men who had checked the panic"?

Mr. SCHLEY. I do not remember it as of that date.

Mr. BARTLETT. It did occur?

Mr. SCHLEY. I do not remember those particulars.

Mr. BARTLETT. Is it not a fact that when you sold the Tennessee Coal & Iron Co.'s stock and got the Steel Co.'s bonds in exchange therefor that the panic was about over?

Mr. SCHLEY. I do not know what may have happened.

Mr. BARTLETT. But had not the situation cleared up and the panic been checked and about over?

Mr. SCHLEY. No, sir; I do not think so.

Mr. BARTLETT. Then, the President was mistaken in suggesting that his Secretary of the Treasury and these conservative business men who had put $60,000,000 in the banks and his Secretary of the Treasury who had put $50,000,000 in the banks aided in checking the panic; he was as much mistaken about that as he was that he did not object to the transfer of this stock, because it saved you from ruin—as much mistaken about one as the other?

Mr. SCHLEY. It would seem so from your statement.

Mr. BARTLETT. You say that you did not know that Judge Gary and Mr. Frick had gone to Washington to see the President?

Mr. SCHLEY. I knew nothing about that.

Mr. BARTLETT. Were you not one of the gentlemen who waited for hours at Mr. Morgan's library for the return of some one from Washington—that long vigilance?

Mr. SCHLEY. I went home and went to bed. I was there in the afternoon.

Mr. BARTLETT. You got tired of waiting?

Mr. SCHLEY. Yes, sir.

Mr. BARTLETT. You did wait some time for something to be done?

Mr. SCHLEY. I did not know what was in the air.

Mr. BARTLETT. You knew that they were waiting for some information from somewhere, but you were not let into the secret.

When did you learn to come back to renew the negotiations for the sale of the Tennessee stock? From whom did you learn that?

Mr. SCHLEY. I did not catch that question.

Mr. BARTLETT. After you went home and went to bed, when did you next hear that you could take up the negotiations for the sale, and who gave you that information?

Mr. SCHLEY. I do not recall where I got that impression. I got that Sunday night.

Mr. BARTLETT. When you left to go home to rest, did you leave word as to where to notify you; did you leave word where you could be called?

Mr. SCHLEY. I expected to be down to the Marble Building on the next morning.

Mr. BARTLETT. Is that Mr. Morgan's library?

Mr. SCHLEY. Yes, sir.

Mr. BARTLETT. You expected to be there Monday morning?

Mr. SCHLEY. Yes, sir; I left rather early Sunday night.

Mr. BARTLETT. You went back without waiting for any further communication?

Mr. SCHLEY. It was understood that we were to be there the next morning.

Mr. BARTLETT. For what purpose?

Mr. SCHLEY. To be ready for conference in case one had to be held. We did not know what was going to happen.

Mr. BARTLETT. You did not know when you left or when you returned that there was to be any further conference about this matter?

Mr. SCHLEY. I had no notion in my mind what was going to happen.

Mr. BARTLETT. With all these vast interests of your own at stake, and the immense interests of your fellow associates in this big business at stake in your hands, you left it to some one else, without any information as to what you expected to be done, or when you should return, or why the thing could not be consummated then?

Mr. SCHLEY. The trade was between Mr. Frick, Mr. Gary, and myself. There were no details about it, no long conferences to be held.

Mr. BARTLETT. When did you last see Mr. Frick and Mr. Gary before they went to Washington?

Mr. SCHLEY. It was Sunday morning, I suppose, about 12 o'clock.

Mr. BARTLETT. And they left Sunday afternoon, so far as you know?

Mr. SCHLEY. I was back in the afternoon.

Mr. BARTLETT. Did you make any inquiry as to where they were or why they were not there?

Mr. SCHLEY. No, sir.

Mr. BARTLETT. You did not feel any interest in that?

Mr. SCHLEY. I felt very much interested.

Mr. BARTLETT. Were you afraid to ask where they were?

Mr. SCHLEY. I am not afraid of anybody.

Mr. BARTLETT. Of course not. Why was it that you did not inquire what had become of these gentlemen who had this immense deal up with you? Did you expect them to go away?

Mr. SCHLEY. If they wanted to.

Mr. BARTLETT. Did you expect to find them there when you went back?

Mr. SCHLEY. Perhaps.

Mr. BARTLETT. You did not find them?

Mr. SCHLEY. I did not see them.

Mr. BARTLETT. When you saw them again did you inquire what they had done?

Mr. SCHLEY. I think it was Ledyard who told me Monday morning.

Mr. BARTLETT. He told you what?

Mr. SCHLEY. That they would give par for the stock.

Mr. BARTLETT. Was the price the only thing that stood in the way of completing the arrangement?

Mr. SCHLEY. That is all so far as I was concerned.

Mr. BARTLETT. You did not know that they were considering whether they could legally under the law purchase the stock?

Mr. SCHLEY. That did not enter my mind.

Mr. BARTLETT. You did not know that they were considering any question?

Mr. SCHLEY. No, sir.

Mr. BARTLETT. You were not informed or concerned about their trip to Washington?

Mr. SCHLEY. I had no idea until the next day, and it was over.

Mr. BARTLETT. Did you know when they returned what their mission to Washington had been and what they had said to the President; had you been informed?

Mr. SCHLEY. I can not tell you how I heard it.

Mr. BARTLETT. Did not Mr. Gary or Mr. Frick or anyone, prior to the completion of this deal to the United States Steel Corporation, inform you that they had been to Washington and what had been said and done in Washington?

Mr. SCHLEY. No.

Mr. BARTLETT. You were absolutely ignorant of the fact that your financial condition and the saving of the firm of Moore & Schley had been rescued by Judge Gary and Mr. Frick's trip to Washington?

Mr. SCHLEY. I knew nothing about that—absolutely.

Mr. YOUNG. I want to ask you a few questions. In the conversation that you had with Mr. Perkins, when you sent for him, did you talk about the financial condition of Moore & Schley at all and the necessity of their getting money?

Mr. SCHLEY. Well, I would like to remove that impression that I sent for Perkins.

Mr. YOUNG. That was what you said, as I understood it.

Mr. SCHLEY. Then I made a misstatement. I met Mr. Perkins in Mr. Morgan's library and asked if he would not stop up at my office and see me in the afternoon, and he said that he would, and then when he did stop there—I could hardly answer your question by detailing our conversation. It was general in its form.

Mr. YOUNG. What I wish to know, Mr. Schley, is this: Whether your conference simply embraced talk about selling the Tennessee

stock or whether it also included some conference as to the condition of Moore & Schley and their need for relief to escape a possible danger?

Mr. SCHLEY. I think the object of that meeting—my object—was to state the whole condition clearly to Perkins, that he might carry it to his colleagues.

Mr. YOUNG. In regard to Moore & Schley?

Mr. SCHLEY. Yes, sir; the general situation of the markets down there, the dangers that would occur, and also the values of the property; that was in my mind to convey to Perkins, because I had a very short conference with Mr. Gary and Mr. Frick.

Mr. YOUNG. Now, then, you have stated that the Tennessee stock was not considered desirable by bankers as collateral. One of the principal things that a banker wants when stock is offered as collateral is something that can be readily and easily realized on?

Mr. SCHLEY. That is it.

Mr. YOUNG. And that was the weakness of the Tennessee stock—that it could not be readily realized on?

Mr. SCHLEY. That is it.

Mr. YOUNG. It might be readily uncurrent, although it had great value behind it?

Mr. SCHLEY. Yes, sir; that is it.

Mr. YOUNG. And it was more difficult to realize on, as I understand your statement, than any of the other stocks which you held in large quantities, was it not?

Mr. SCHLEY. Yes, sir; it was.

Mr. YOUNG. Then, the effect of this trade that you made with the United States Steel Corporation was to connect the worst asset you had for immediate return into an "A" asset?

Mr. SCHLEY. Yes, sir; practically cash.

Mr. YOUNG. Now, Mr. Littleton asked you a great many questions as to whether the difficulty might have been relieved by making a loan and I want to ask you this question: Which would have aided the condition of Moore & Schley more to convert $12,000,000 of uncurrent assets into cash, reducing their obligations by that much, or to borrow $12,000,000 in cash, which they would have to repay at some uncertain and, maybe, very early date in the future?

Mr. SCHLEY. There is no comparison between the two; the other was perfectly easy and immediate.

Mr. YOUNG. The suggestion of borrowing would simply have transferred one obligation into another, which would have to be met at some time?

Mr. SCHLEY. Yes; that is true.

Mr. YOUNG. Now, a good many question were asked by Mr. Littleton, as to whether loans had been called, and whether banks had demanded Tennessee Coal & Iron and other securities be exchanged. Was not the real danger this: That here was a condition of general panic in the city of New York, which affected everybody; that as your loans had come due from time to time previous to this, the bank had refused to renew them, so that practically your whole debt was due and callable at any time?

Mr. SCHLEY. Yes.

Mr. YOUNG. And that these banks themselves felt they were in danger of runs, and you could not tell, and no one could tell at what

moment you might be called upon to pay in cash a very large portion of your indebtedness? Was not that the situation?

Mr. SCHLEY. Yes; and be unable to reborrow it.

Mr. YOUNG. That was the situation then?

Mr. SCHLEY. That was exactly the situation.

Mr. YOUNG. And you regarded that as a very precarious situation?

Mr. SCHLEY. As a sword over one's head which might sever it at any time.

Mr. YOUNG. Now, suppose you had failed, notwithstanding your abundant assets, what do you think would have been the effect on the panic and the situation in New York, if a house of your known standing had been forced to the wall under those conditions?

Mr. SCHLEY. It is hard to tell to what extent it would have gone. We had securities of various characters. We had 600 clients on our books, all of them injured with the tying up of their collateral and their credit balances, and there would have been a great many sales of these $35,000,000 of loans around the Street, the securities sacrified, and I think it would have been a very serious thing.

Mr. YOUNG. In your judgment, would it have greatly aggravated the panic in New York?

Mr. SCHLEY. I think it would have extended the panic very seriously, and it would have gone on into the banks.

Mr. YOUNG. Now, a suggestion has been made with which I understand you do not at all agree—that this situation might have been in view intentionally by the United States Steel Corporation or J. P. Morgan & Co., or the two in combination, in order to get this property cheap. I want to ask you if, in your judgment, the United States Steel Corporation, with its vast interests, and Mr. Morgan, with his great wealth and the large amount of securities which he holds, would not have been among the very largest sufferers from the bringing about of such a situation as that in a general panic?

Mr. SCHLEY. Without any doubt.

Mr. BARTLETT. You say you do not recall a printed statement from Mr. Perkins, in connection with the clearing-house committee, to the effect that the Trust Co. of America was the chief sore spot in the situation. You do not recall that statement?

Mr. SCHLEY. No; I do not remember it.

Mr. BARTLETT. Is it not true that the Trust Co. of America had several hundred thousand dollars of Tennessee Coal & Iron stock up as collateral for its loans?

Mr. SCHLEY. For whose loans?

Mr. BARTLETT. For loans of the customers of the Trust Co. of America.

Mr. SCHLEY. Yes.

Mr. BARTLETT. They did have $400,000 or $500,000 of that stock up as collateral.

Mr. SCHLEY. So I heard, at first. It was immediately removed and taken out, so Mr. Thorne told me.

Mr. BARTLETT. The debt was paid promptly and taken out?

Mr. SCHLEY. Yes.

Mr. BARTLETT. The next day after that statement was made in the paper, there was a run made on the Trust Co., was there not?

Mr. SCHLEY. Yes.

Mr. BARTLETT. And the Trust Co. did weather the storm very well, did it not—it did not close?

Mr. SCHLEY. Well, they had a pretty hard time.

Mr. BARTLETT. They paid the depositors?

Mr. SCHLEY. Yes.

Mr. BARTLETT. They did not close?

Mr. SCHLEY. Slowly, they paid them.

Mr. BARTLETT. Now, is it not a fact that on or about November 3 a committee of the trust companies of New York made an announcement from Mr. Morgan's library—or it was published in the papers that it was made from Mr. Morgan's library—that a committee of trust companies in New York had had the assets of the Trust Co. of America examined by experts who reported that in their judgment the assets of the company were sufficient to pay the depositors in full. Do you remember that?

Mr. SCHLEY. Yes; but I do not remember the date.

Mr. BARTLETT. That was after the run had started?

Mr. SCHLEY. Yes.

Mr. BARTLETT. So that, although the statement was made that the Trust Co. which held a lot of this Tennessee Coal & Iron stock as collateral was the chief sore spot, when an examination was made afterwards by a committee of the trust companies of New York of its assets, it was reported that their assets were ample to meet all depositors?

Mr. SCHLEY. Yes.

Mr. BARTLETT. And it did turn out, as a matter of fact, that their assets were ample to meet all the depositors who called on them?

Mr. SCHLEY. Yes; that is true.

Mr. BARTLETT. Mr. Schley, you had a loan with the First National Bank of $2,500,000, as I understood you?

Mr. SCHLEY. About that.

Mr. BARTLETT. And with that loan you had up as a part of the one-third of the industrials, about $400,000 worth of Tennessee Coal & Iron stock, I understood you to say?

Mr. SCHLEY. I think so.

Mr. BARTLETT. Now, that being true, the Tennessee Coal & Iron Co.'s stock represented about one-sixth of the collateral which you had in that company, did it not?

Mr. SCHLEY. Probably not. It would not be one-sixth. They would not have taken one-sixth of Tennessee Coal & Iron.

Mr. BARTLETT. It did not represent as much as one-sixth, then?

Mr. SCHLEY. Well, probably not.

Mr. BARTLETT. Was the loan you had with the First National Bank, in which you had up $400,000 of Tennessee Coal & Iron stock, or less than one-sixth of the whole loan, a fair sample of the other loans in the banks in which you had up Tennessee Coal & Iron Co. stock?

Mr. SCHLEY. No.

Mr. BARTLETT. Did you have more in the First National Bank than you had in the others, proportionately, or less?

Mr. SCHLEY. I do not think if you would take the loans of the First National they would average 20 per cent of the Tennessee Coal & Iron Co.

Mr. BARTLETT. Then you had more in the other banks than you had in this bank, proportionately?

Mr. SCHLEY. You have got the figures wrong.

Mr. BARTLETT. I am simply following your figures.

Mr. SCHLEY. No. I said we had $400,000 of Tennessee Coal & Iron in the First National Bank loan, I remember, at one time. Now, we may have had $3,000,000 in loans or three million and a quarter.

Mr. BARTLETT. You said two and a half million.

Mr. SCHLEY. Well, that came on other dates, when it was reduced to two and a half or two million. They would not permit any such proportion of Tennessee Coal & Iron as that in any loan at that time.

Mr. BARTLETT. I did not say it was a loan, but it formed part of the industrials you put up, and you stated in your examination this morning that the industrials formed about one-third of the securities you put up for loans. In other words, you gave two-thirds of liquid securities and the other one-third of industrials that were not so good. That was your method of borrowing money?

Mr. SCHLEY. Yes. But the Tennessee Coal & Iron in this particular instance would not be our regular average by any means.

Mr. BARTLETT. Mr. Schley, this syndicate of gentlemen who formed this first syndicate and purchased the Tennessee Coal & Iron Co. stock, amounting to $108,300,000 of its stock, and who bought it for the purpose of investment and not for speculative purposes, ordinarily were men of means and capable of taking care of the stock, were they not?

Mr. SCHLEY. Yes.

Mr. BARTLETT. It was a very strong body of men, financially?

Mr. SCHLEY. Very.

Mr. BARTLETT. And was not that also true, in a general way, of the men who formed the second syndicate?

Mr. SCHLEY. They were splendid men, all of them.

Mr. BARTLETT. Financially, as well as otherwise.

Mr. SCHLEY. Yes; well to do in ordinary times.

Mr. BARTLETT. And that was one of the reasons you intended and expected to be able to finance the property and to improve and to make it a valuable investment.

Mr. SCHLEY. Yes.

Mr. BARTLETT. They were men who were not engaged in it for speculative purposes but men who intended to improve the property and own it, and who financially, were able to carry the venture to a saft conclusion?

Mr. SCHLEY. That was our thought and belief.

The CHAIRMAN. Mr. Schley, I am somewhat curious to know what makes a stock valuable on the Street. Has the fact that the paper represents two or three hundred per cent more of real value than it purports to convey anything to do with the desire of people to purchase it or to sell it?

Mr. SCHLEY. In that last sentence, "the desire of the people to buy and sell," I can not weigh that. The desire of the people to buy and sell determines that.

The CHAIRMAN. But that is not the question. For instance, I have $200,000,000 worth of property, and I issue against that property $20,000,000 of stock, but that is intended to be nothing more

or less than a pro rating of that property among those entitled to a proportionate part; the persons who hold the stock hold it simply as a means of sharing responsibility in its development, and sharing the proceeds of its operations. They are indifferent to the condition of that stock in Wall Street. Has a property of that kind—a security of that kind, any particular value among the brokers on that Street? Is it sought for—is it cared for?

Mr. SCHLEY. Except as the brokers find the buyers and sellers.

The CHAIRMAN. Do they find difficulty in getting buyers and sellers for that sort of security?

Mr. SCHLEY. Very difficult.

The CHAIRMAN. If, on the other hand, a set of men go into the business of buying and selling stock, and buy a strange, legal, inanimate anomaly in one State in this Union, they are entitled to buy and sell their own property. A owns stock in a corporation, B owns stock in a corporation, A sells to B at 10 per cent increase, and B sells to C at a 10 per cent increase to-morrow. These men put $50,000,000 in the banks of the city and they buy and sell their own stock with their own money. That stock, however, has behind it no tangible value except the wealth and the cunning of the men who operate it. Is that a current security on the street?

Mr. SCHLEY. I do not know of any such securities as that.

The CHAIRMAN. Let us suppose a concern whose property is intrinsically worth $500,000,000 or $600,000,000, and that concern issues bonds for $600,000,000. Would you say that the stock of that concern had any intrinsic value, if, in case of disaster, in case of forced sale, that property would not bring more than its bonded indebtedness?

Mr. SCHLEY. I should not think that the stock would have much intrinsic value.

The CHAIRMAN. Would second-mortgage bonds which, in case of a sale of this stock, under circumstances like those that you have mentioned here, have any greater value than the stock?

Mr. SCHLEY. They would hold the equity, but there would not be very much difference.

The CHAIRMAN. They would come in between the first mortgage bonds and the stockholders; I understand that. But if the first mortgage bonds equalled in amount the real value of the stock, would the second mortgage bonds have any intrinsic value?

Mr. SCHLEY. I should not think they would.

The CHAIRMAN. It would be a mere promise to pay. When you spoke of these men putting their stock in their strong boxes, is it not true that Mr. Gates and Mr. Topping and Mr. Oglebay and Mr. Hanna, and all these men, except Mr. Gates—and I do not mean to exclude him except upon second thought I believe he did have some stock transactions—is it not true that the wealth, the power, the effectiveness, the future of this property was in the hands of strong men, who had conducted a productive and not a speculative business, and who were comparatively indifferent, until this sudden hour of disaster, as to the market price of the stock of the Tennessee Coal & Iron Co.?

Mr. SCHLEY. They were entirely indifferent as to its market value.

The CHAIRMAN. They did not care whether it was current or uncurrent, because they were not selling; is not that true?

Mr. SCHLEY. That is true.

The CHAIRMAN. Now, when the time came for a sale of the majority of the stock of this company, to effect the passage of the property into strange hands, you were called on to look about for a purchaser, and you selected as the most probable purchaser and, as I believe you said, the only purchaser, the United States Steel Corporation. Why did you conclude that they were the only purchaser in the market? Why did you go to them alone?

Mr. SCHLEY. Because they were in position to develop the property, and about the only ones in existence.

The CHAIRMAN. Had you any interest in the property, Mr. Schley, after you had converted your title into bonds and were selling the bonds?

Mr. SCHLEY. No.

The CHAIRMAN. If an English syndicate that knew no more about making iron than I know about making wheat bread should have offered you 160 for that stock and you had known that after they bought it their plant would be neglected and their business go to ruin, would you not have sold it to them and let them do as they pleased with it?

Mr. SCHLEY. Under the circumstances of that great pressure I think I would.

The CHAIRMAN. So you were selling to them not because they understood the operation of the iron business, but because they had a valuable bond to give you, which, under the conditions that existed in Wall Street, was interchangeable into money; is not that true?

Mr. SCHLEY. That is about right.

The CHAIRMAN. Now, were there any other possible purchasers for that stock except the United States Steel Corporation?

Mr. SCHLEY. None that we could conclude upon.

The CHAIRMAN. Was that due to the fact that there was no other concern engaged in the manufacture of iron in the United States that had sufficient assets to take over the Tennessee Coal & Iron Co.?

Mr. SCHLEY. No.

The CHAIRMAN. Or rich enough to buy it?

Mr. SCHLEY. You have to combine with those riches the power and the ability to carry on that great property.

The CHAIRMAN. The only concern in the United States that could take over the Tennessee Coal & Iron Co., and was big enough to handle it, was the United States Steel Corporation?

Mr. SCHLEY. Yes; that was the only one.

The CHAIRMAN. This property that you men had taken hold of had already been improved, as I understand, by the expenditures of six or seven million dollars, and that expenditure had been made under the supervision of Mr. Topping, had it not?

Mr. SCHLEY. Yes; and a half a dozen other most capable men.

The CHAIRMAN. And every dollar they put into that business was put where it would "burn," to use a slang expression, was it not?

Mr. SCHLEY. Yes.

The CHAIRMAN. And where you would get the best results?

Mr. SCHLEY. Yes.

The CHAIRMAN. Was there a steel plant on the continent more skillfully constructed, more capable of bringing to the men who constructed it ample returns than the steel plant at Ensley?

Mr. SCHLEY. I do not think there is any better. The Steel Co. carried it out on exactly that same plan. They could not improve on it.

The CHAIRMAN. Mr. Schley, you were a syndicate manager, I believe?

Mr. SCHLEY. Yes.

The CHAIRMAN. You were also a director of the Tennessee Coal & Iron?

Mr. SCHLEY. Yes.

The CHAIRMAN. And you were a director in the Republic Iron & Steel Co.?

Mr. SCHLEY. Yes.

The CHAIRMAN. Mr. Oglebay was a member of the syndicate, was he not?

Mr. SCHLEY. Yes.

The CHAIRMAN. And a director?

Mr. SCHLEY. Yes.

The CHAIRMAN. And a director in the Republic Iron & Steel Co.?

Mr. SCHLEY. Yes.

The CHAIRMAN. Mr. Gates was a member of the syndicate?

Mr. SCHLEY. Yes.

The CHAIRMAN. And a director?

Mr. SCHLEY. Yes.

The CHAIRMAN. And a director in the Republic Iron & Steel Co.?

Mr. SCHLEY. Yes.

The CHAIRMAN. There was a unity of interest between the Republic, the Sloss-Sheffield, and the T. C. & I., was there not, and a community of ownership—I mean the best of feeling?

Mr. SCHLEY. There was the best of feeling; yes.

The CHAIRMAN. And a unity of interest in that respect? Those three concerns were more favorably located as to the assembling of raw materials than any like concern on this continent?

Mr. SCHLEY. Yes; at that time.

The CHAIRMAN. And they had a domain of their own, did they not?

Mr. SCHLEY. Yes.

The CHAIRMAN. A sphere of operation—a zone, as you call it—into which no other iron company could enter; is not that true?

Mr. SCHLEY. That is so.

The CHAIRMAN. And up to that time the United States Steel Corporation had never been able to break the alliance, had it?

Mr. SCHLEY. Oh, there had been no attempt made. There was no competition.

The CHAIRMAN. Was there any place between Ashland and El Paso, Tex., where the United States Steel Corporation, under sharp competition, could sell a single ton of pig iron?

Mr. SCHLEY. That is so.

The CHAIRMAN. And, of course, in presenting this case to Mr. Frick and Mr. Gary, when they wanted to give you 60 for that stock, you presented those facts to them, did you not?

Mr. SCHLEY. I spoke of some of those things.

The CHAIRMAN. And many more?

Mr. SCHLEY. Yes.

The CHAIRMAN. And many more that I do not know of, and never will know of, because I know nothing about iron and steel. When you presented those facts, and when you showed them the intrinsic value of your stock, and the fact that if they did not get the T. C. & I. they could never get a foothold on that region, then they gradually rose from 60 to 75 and from 75 to 90 and from 90 to par, did they not?

Mr. SCHLEY. That is right.

Mr. DANFORTH. Mr. Schley, did I understand you to state that your first conversation with Mr. Perkins in regard to this Tennessee Coal & Iron Co. proposition, or the sale of it, was on the Saturday prior to the Monday of the sale?

Mr. SCHLEY. Oh, no. I met him at different times. I used to meet Perkins in a general business way frequently. I had met him at the Morgan library every time I was there, and we talked together.

Mr. DANFORTH. I think that statement appears in the testimony.

Mr. SCHLEY. That I said it was the first time?

Mr. DANFORTH. The first time you talked with him in regard to the sale of the Tennessee Coal & Iron Co.

Mr. SCHLEY. The word "first" should be stricken out then.

Mr. DANFORTH. You did talk to him about a sale of the Tennessee Coal & Iron Co. prior to that time?

Mr. SCHLEY. In a general way; yes.

Mr. DANFORTH. And this was the occasion when he went to your office from the library?

Mr. SCHLEY. I asked him to call in the afternoon, and he called; yes.

Mr. DANFORTH. But you had talked with him before that about a sale of this property?

Mr. SCHLEY. Yes; generally. I can not remember now exactly what I said.

Mr. DANFORTH. And you talked with him about the condition of the firm of Moore & Schley and their holdings and their interest in this Tennessee stock?

Mr. SCHLEY. My conversation with him was general. I could not specify exactly what I did say. It was four years ago. I remember talking with him and arguing with him generally on the situation, but exactly what I said I would not like to state now.

Mr. DANFORTH. In regard to Mr. Ledyard, when you talked with him in regard to this situation, about finding a purchaser for the Tennessee Coal & Iron Co.'s stock, had you given him a statement or a general knowledge as to the condition of your firm with regard to your holdings of this stock?

Mr. SCHLEY. I talked to him generally about it, in all fairness.

Mr. DANFORTH. And I believe you said Col. Payne understood your situation?

Mr. SCHLEY. Yes; they understood. I did not conceal anything as the developments went along. These were matters of development, Mr. Danforth.

Mr. DANFORTH. At any rate, this information was imparted by you to Mr. Ledyard before Mr. Frick and Mr. Gary came to see you in regard to it?

Mr. SCHLEY. Mr. Ledyard only appeared in it the day before I saw Mr. Frick, you know.

Mr. DANFORTH. Had you seen Frick before you saw Ledyard?

Mr. SCHLEY. No; I said he only appeared in it the day before I saw Frick.

Mr. DANFORTH. Did Mr. Ledyard know about your situation?

Mr. SCHLEY. My situation was a matter of development from day to day. It got worse as we went along.

Mr. DANFORTH. Did Mr. Ledyard know your reasons for wanting to sell the property?

Mr. SCHLEY. I did not give that to Ledyard at that time, except in a general way—that we were tired of it and thought we had better sell it.

Mr. DANFORTH. Did Col. Payne know about it?

Mr. SCHLEY. In a general way.

Mr. DANFORTH. He knew your situation and the situation of the Tennessee Coal & Iron Co.?

Mr. SCHLEY. He knew about it generally, but not particularly, at that time.

Mr. DANFORTH. Did you say that Col. Payne had no interest in your firm?

Mr. SCHLEY. Not the slightest.

Mr. DANFORTH. Neither a partnership interest nor a financial interest?

Mr. SCHLEY. No.

Mr. DANFORTH. So his dealings with you were as a customer and friend?

Mr. SCHLEY. Yes.

The CHAIRMAN. Mr. Schley, you say you converted those bonds into cash?

Mr. SCHLEY. I did, very quickly. I just wanted to pay those debts off and get home and get a rest.

The CHAIRMAN. Do you know who purchased those bonds?

Mr. SCHLEY. No; no one could tell. They were bought generally on the board. There was a good deal of speculation in them.

The CHAIRMAN. Were not large blocks of those bonds bought by the New York Life Insurance Co.?

Mr. SCHLEY. I do not know. I have no way of knowing.

The CHAIRMAN. Is there any way we could ascertain that?

Mr. SCHLEY. I do not see how you could.

The CHAIRMAN. I will ask you if, during the month of the panic, and prior, you had bought and sold for the United States Steel Corporation any number of its bonds and stock?

Mr. SCHLEY. I never bought or sold a share of bonds for them. I never did any business for them.

(Thereupon, the committee proceeded to the consideration of executive business, after which it adjourned.

By direction of the committee, the following report is appended:)

ABSORPTION OF THE TENNESSEE COAL & IRON CO.

VIEWS OF MESSRS. CULBERSON, KITTREDGE, OVERMAN, RAYNER, BACON, NELSON, AND FORAKER, OF THE SENATE COMMITTEE ON THE JUDICIARY, TOGETHER WITH THE HEARINGS HELD BEFORE A SUBCOMMITTEE, IN RELATION TO THE ABSORPTION OF THE TENNESSEE COAL & IRON CO. BY THE UNITED STATES STEEL CORPORATION

60TH CONGRESS, 2d Session. } SENATE. { REPORT 1110 Part 2.

ABSORPTION OF THE TENNESSEE COAL & IRON CO.

MARCH 2, 1909.—Ordered to be printed.

Mr. Culberson (for himself and Messrs. Kittredge, Overman, Rayner, Bacon, Nelson, and Foraker), from the Committee on the Judiciary, submitted the following views (to accompany S. Res. No. 243):

UNITED STATES SENATE,
Washington, D. C., March 2, 1909.

The undersigned members of the Committee on the Judiciary submit the following as their views in answer to Senate resolution No. 243, Sixtieth Congress, second session, which is as follows:

Resolved, That the Committee on the Judiciary be, and it is hereby, directed to report to the Senate, as early as may be practicable, whether, in the opinion of the committee, the President was authorized to permit the absorption of the Tennessee Coal and Iron Company by the United States Steel Corporation, as is shown by the message of the President in response to Senate Resolution Numbered Two hundred and forty, this session—

The message of the President, which is referred to in the resolution under consideration, is as follows:

To the Senate:

In connection with the following resolution of the Senate, passed January 4, 1909—

"*Resolved*, That the Attorney General be, and he is hereby, directed to inform the Senate—

"1. Whether legal proceedings under the act of July second, eighteen hundred and ninety, have been instituted by him or by his authority against the United States Steel Corporation on account of the absorption by it, in the year nineteen hundred and seven, of the Tennessee Coal and Iron Company, and if no such proceedings have been instituted, state the reason for such nonaction.

"2. Whether an opinion was rendered by him or under his authority as to the legality of such absorption; and if so, attach a copy if in writing, and if verbal state the substance of it"—

I transmit herewith the following letter from the Attorney General:

OFFICE OF THE ATTORNEY GENERAL,
Washington, January 6, 1909.

SIR: In accordance with your instructions, I have the honor to inclose you a certified copy of the resolution adopted by the Senate, wherein I am directed to inform the Senate whether legal proceedings under the act of July 2, 1890, have been instituted by me or by my authority against the United States Steel Corporation on account of the absorption by it, in the year 1907, of the Tennessee Coal & Iron Co. As you are aware, no such proceedings have been instituted.

I remain,

Yours, most respectfully and truly, CHARLES J. BONAPARTE,
Attorney General.

THE PRESIDENT,
The White House.

As to the transaction in question, I was personally cognizant of and responsible for its every detail. For the information of the Senate I transmit a copy of a letter sent by me to the Attorney General on November 4, 1907, as follows:

THE WHITE HOUSE,
Washington, November 4, 1907.

MY DEAR MR. ATTORNEY GENERAL: Judge E. H. Gary and Mr. H. C. Frick, on behalf of the Steel Corporation, have just called upon me. They state that there is a certain business firm (the name of which I have not been told, but which is of real importance in New York business circles) which will undoubtedly fail this week if help is not given. Among its assets are a majority of the securities of the Tennessee Coal Co. Application has been urgently made to the Steel Corporation to purchase this stock as the only means of avoiding a failure. Judge Gary and Mr. Frick inform me that as a mere business transaction they do not care to purchase the stock; that under ordinary circumstances they would not consider purchasing the stock, because but little benefit will come to the Steel Corporation from the purchase; that they are aware that the purchase will be used as a handle for attack upon them on the ground that they are striving to secure a monopoly of the business and prevent competition—not that this would represent what could honestly be said, but what might recklessly and untruthfully be said.

They further inform me that as a matter of fact the policy of the company has been to decline to acquire more than 60 per cent of the steel properties, and that this purpose has been persevered in for several years past, with the object of preventing these accusations, and as a matter of fact their proportion of steel properties has slightly decreased, so that it is below this 60 per cent, and the acquisition of the property in question will not raise it above 60 per cent. But they feel that it is immensely to their interest, as to the interest of every responsible business man, to try to prevent a panic and general industrial smash-up at this time, and that they are willing to go into this transaction, which they would not otherwise go into, because it seems the opinion of those best fitted to express judgment in New York that it will be an important factor in preventing a break that might be ruinous; and that this has been urged upon them by the combination of the most responsible bankers in New York who are now thus engaged in endeavoring to save the situation. But they asserted they did not wish to do this if I stated that it ought not to be done. I answered that while of course I could not advise them to take the action proposed, I felt it no public duty of mine to interpose any objection.

Sincerely, yours, THEODORE ROOSEVELT.

Hon. CHARLES J. BONAPARTE,
Attorney General.

After sending this letter I was advised orally by the Attorney General that, in his opinion, no sufficient ground existed for legal proceedings against the Steel Corporation, and that the situation had been in no way changed by its acquisition of the Tennessee Coal & Iron Co.

I have thus given to the Senate all the information in the possession of the executive department which appears to me to be material or relevant on the subject of the resolution. I feel bound, however, to add that I have instructed the Attorney General not to respond to that portion of the resolution which calls for a statement of his reasons for nonaction. I have done so because I do not conceive it to be within the authority of the Senate to give directions of this character to the head of an executive department or demand from him reasons for his action. Heads of the executive departments are subject to the Constitution, and to the laws passed by the Congress in pursuance of the Constitution, and to the directions of the President of the United States, but to no other direction whatever.

THEODORE ROOSEVELT.

THE WHITE HOUSE, *January 6, 1909.*

Besides the message above set forth, the committee has had the benefit of certain annual reports of the United States Steel Corporation and of the Tennessee Coal, Iron & Railroad Co.; well-considered articles in standard magazines; testimony taken before the Committee on Ways and Means of the House of Representatives in 1908; daily market quotations of stock of the Tennessee Coal, Iron

& Railroad Co. and of bonds of the United States Steel Corporation for the year 1907; the Statistical Abstracts of the United States, particularly that for 1907; and the testimony of several witnesses taken by the subcommittee. From these sources we think the following facts are established:

1. That on or about November 5, 1907, the United States Steel Corporation purchased all of the stock of the Tennessee Coal, Iron & Railroad Co. except $220,160, the amount of stock acquired being $30,375,825, and absorbed the latter company.

2. Both companies were at the time of the absorption engaged in manufacturing and in interstate commerce. The Steel Corporation paid for the stock of the Tennessee company $632,655 in cash (the cash payment being made December 15, 1907) and $34,684,977.64 in bonds of the Steel Corporation, aggregating $35,317,632.62, or nearly $5,000,000 in excess of the par value of the Tennessee company stock purchased. As between the Steel Corporation and Moore & Schley or their customers no cash whatever passed. At the time this stock was acquired it was quoted around 80 on the stock exchange, while steel bonds of the kind given in exchange were quoted at 85 and 86, so that the price paid for the Tennessee company stock was about 20 per cent more than its market quotation.

3. In his message to the Senate January 6, 1909, on this subject, referring to the acquisition of the stock and the absorption of the Tennessee company by the Steel Corporation, the President said: "As to the transaction in question I was personally cognizant of and responsible for its every detail." In his letter of November 4, 1907, to the Attorney General, which is incorporated in the message, after reciting that representatives of the United States Steel Corporation had called upon him in Washington that day and stated that, for reasons set forth in his letter, it had been suggested that the Steel Corporation should purchase a majority of the securities of the Tennessee company represented to have been then held by "a certain business firm" in New York City, but that they did not wish to do this if the President "stated it ought not to be done," the President said: "I answered that while of course I could not advise them to take the action proposed, I felt it no public duty of mine to interpose any objection." As the letter of the President was addressed to the Attorney General, who is expressly and exclusively charged with the duty of enforcing the act of July 2, 1890, on behalf of the public, known as the Sherman antitrust law, we think it was, in effect, a direction to the Attorney General not to interfere but to permit the proposed purchase and absorption to be consummated if the parties interested desired to do so. Moreover, the letter to the Attorney General shows that the legality of the merger was discussed and that the President gave the representatives of the Steel Corporation who visited him to understand that the action proposed could be taken if desired. It was not until this understanding was telephoned from Washington to New York City by one of the representatives of the Steel Corporation to another representative there that the purchase and absorption were made. In our opinion the President permitted and sanctioned the acquisition and merger.

4. In his letter to the Attorney General of November 4, 1907, already referred to, the President said: "Judge E. H. Gary and Mr.

H. C. Frick, on behalf of the Steel Corporation, have just called upon me. They state that there is a certain business firm (the name of which I have not been told, but which is of real importance in New York business circles) which will undoubtedly fail this week if help is not given. Among its assets are a majority of the securities of the Tennessee Coal Co. Application has been urgently made to the Steel Corporation to purchase this stock as the only means of avoiding a failure."

The firm referred to in this letter is that of Moore & Schley, stockbrokers of New York City. This firm did not hold as assets, as represented to the President by officials of the Steel Corporation, any portion whatever of the stock of the Tennessee company. This is shown positively by Grant B. Schley, a member of the firm, in his testimony before the subcommittee:

Senator CULBERSON. You have already stated that your firm did not hold as assets of the firm a single dollar of this stock?

Mr. SCHLEY. No; they were not subscribers and they did not buy any of the stock.

Senator CULBERSON. They did not, therefore, hold it as a part of their assets?

Mr. SCHLEY. They did not own it. It could not be their assets without they owned it. (Hearing, p. 71.)

It is also stated by this witness, without contradiction from any source, that this firm was not borrowing for its customers on a majority of the stock of the Tennessee company.

Senator CULBERSON. In November, 1907, was the majority of this stock in hock anywhere?

Mr. SCHLEY. I can't tell that. I know what we were loaning, but other people had taken their stocks away.

Senator CULBERSON. Was the majority of the stock represented by the list you have furnished this committee, in November, 1907, in hock anywhere, so far as you know?

Mr. SCHLEY. I can't tell.

Senator CULBERSON. So far as you know?

Mr. SCHLEY. As far as I know. I can't tell. I know what we were borrowing. I can't tell what others were borrowing.

Senator CULBERSON. You were not borrowing on a majority of the stock?

Mr. SCHLEY. No. (Hearings, p. 80.)

5. While the firm of Moore & Schley did not own any of the stock of the Tennessee company and had not as brokers borrowed money for themselves or their customers on a majority of the stock of that company, it may be useful to state concisely the situation as to this stock in so far as it was developed before the subcommittee. In 1905 a number of persons at the suggestion of Grant B. Schley purchased a controlling interest in the Tennessee Coal, Iron & Railroad Co., the names and individual shares of stock being as follows:

[Origina revised.]

	Shares.
O. H. Payne	10,300
L. C. Hanna	10,300
G. B. Schley	10,300
J. B. Duke	10,300
E. J. Berwind	10,300
J. W. Gates	10,300
A. N. Brady	10,300
G. A. Kessler	10,300
O. Thorne	10,300
E. W. Oglebay	5,150
H. S. Black	5,150

	Shares.
F. D. Stout	5,150
J. W. Simpson	5,150
G. W. French	2,500
S. G. Cooper	1,500
J. A. Topping	1,000
Total	118,300

Each of these persons in 1905 was very strong financially, some of them being men of great wealth, and this financial status continued during their holding of this stock. In order to raise money to improve, enlarge, and develop the property additional stock was issued until the total issue of stock amounted to $30,375,825. With the exception of small amounts to others, the syndicate or group of persons which bought the controlling interest in 1905 took the additional issue of stock. Each of that group paid for all his stock in full, some of them taking their stock to other places and some leaving it with Moore & Schley for safe-keeping. Grant B. Schley, a member of the firm of Moore & Schley, owned individually, in 1907, about 25,000 shares of the stock, of the par value of $2,500,000. Improvements amounting to about $6,500,000 were made in the property of the company after control was obtained by the group of persons named, out of the proceeds of the new issue of stock.

At the time of the panic, in the fall of 1907, the only outstanding loans, with the stock of the Tennessee company as collateral, in banks and trust companies, so far as careful inquiry has disclosed, were $482,700 in the Trust Co. of America, on stock at 60 as collateral and between $5,000,000 and $6,000,000 on 90,000 to 105,000 shares of the stock in several banks in New York, among them the First National Bank and the Chase National Bank. Moore & Schley had no connection with the loans in the Trust Co. of America, but they negotiated the other loans for themselves or their customers. In the course of their brokerage business, Moore & Schley made loans to some of the holders of the Tennessee company stock, on their stock, and reimbursed themselves by borrowing from banks on the stock to the extent they could, but the amount they loaned has not been shown. The loans in the Trust Co. of America were paid in November, 1907, and January, 1908, in due course of business, the merger of the Tennessee company having no effect upon them. It was known, however, that Oakleigh Thorne, president of the trust company, was a member of the Tennessee company syndicate, and his trust company, which was supposed to be interested in the Tennessee stock, was viciously attacked during the panic, through which it nevertheless safely passed. Besides the $5,000,000 or $6,000,000 Moore & Schley had borrowed, with the Tennessee stock as collateral, as heretofore pointed out, that firm had borrowed perhaps $27,000,000 on other securities. The formation and existence of the syndicate holding control of the Tennessee company stock, organized by Grant B. Schley, was well known in Wall Street. Banks in New York, some of them known as Morgan banks, carrying Moore & Schley loans with the Tennessee company stock as collateral, pressed these loans vigorously. This firm continued to meet successfully all demands upon it, but finally, fearful of the result of persistent and terrific pounding, it sought and made terms with the Steel Corporation. The syndicate did not desire to sell the

stock, but was forced to do so. When the Steel Corporation purchased the stock and absorbed the Tennessee company, the pressure ceased and general conditions decidedly improved on the stock exchange. Grant B. Schley thus describes the final squeeze and the surrender:

Senator OVERMAN. So you approached Mr. Ledyard, who was attorney for Morgan, was he not?

Mr. SCHLEY. I don't know that he was attorney for him; he was a friend.

Senator OVERMAN. I want to ask you whether or not you had any interest in the United States Steel Co. yourself?

Mr. SCHLEY. Not a dollar.

Senator OVERMAN. Did any of these gentlemen named here?

Mr. SCHLEY. I don't think so. They may have.

Senator OVERMAN. Were they interested as stockholders or otherwise, do you know?

Mr. SCHLEY. I doubt it. I don't think so.

Senator CULBERSON. Mr. Schley, I understand you to say that although calls had been made upon your firm, you had always responded up to the 4th of November, 1907?

Mr. SCHLEY. Yes. When it developed, everyone I talked to in connection with his holdings was willing, under the pressure that was brought upon all, to sell that stock at par, and when I went to Mr. Ledyard and asked him to make these negotiations, it began. Then Mr. Frick and Mr. Gary came to me in the course of it, and it developed so that in the following days it was known to the public. I can't tell what would have happened to Moore & Schley or to anybody else in that street, because we were oppressed by rumors, some of them untrue, but Moore & Schley were the subject of attack, serious attack, and their credit, which is the life of the business, was being destroyed. It was a matter of serious import. It had to be disposed of if it could be. I don't mean for Moore & Schley, but for people about them, others interested, not those particular individuals of great wealth.

Senator DILLINGHAM. What was the effect of the purchase of the stock by the Steel Co. upon the market?

Mr. SCHLEY. It relieved the situation most decidedly, not only with M. and S., but with everybody about. The rumors were flying tremendously about, and nobody can escape those, you know. They may be true or untrue, and they affect the credit of this institution or that. It was especially so with us at that time, after this negotiation started, and it took a week. Why, there was $7,000,000 of loans called on us in three days.

Senator CULBERSON. Was it generally known on the Street, as you call it, that your firm, in the relationship that you have suggested, was dealing in the Tennessee Coal & Iron?

Mr. SCHLEY. Yes; for some time it had been talked that Moore & Schley were holding that stock—a wrongly based rumor, because these facts I tell you are absolutely true. But the pressure was there, and I don't know of any panic in a great many years when they have not been pounded a little, and other houses that have real basis behind them.

Senator CULBERSON. You say your relationship to this stock was generally known in the Street?

Mr. SCHLEY. Yes.

Senator CULBERSON. And you say there was special pressure, as I remember your testimony, on your firm?

Mr. SCHLEY. Yes. (Hearings, pp. 77, 78.)

That the Tennessee company stock was singled out appears further from the testimony of George W. Perkins, of the Steel Corporation:

Senator OVERMAN. Why were these special securities mentioned? That was only a drop in the bucket. There were a tremendous amount of securities up.

Mr. PERKINS. Yes, sir.

Senator OVERMAN. Why were those securities mentioned?

Mr. PERKINS. Why does a man call "fire" in a theater?

Senator OVERMAN. I do not know any special reason why these stocks were mentioned.

Mr. PERKINS. I have not the slightest idea. You never can tell why such things occur.

Senator OVERMAN. Were these specially mentioned more than any others?

Mr. PERKINS. At this period of the panic?

Senator OVERMAN. Yes; these particular stocks.

Mr. PERKINS. Yes; it became centered at that particular stage of the panic, which covered three weeks. (Hearings, p. 50.)

No bank or important banking concern or business house was saved by the transaction. It appears from the testimony of Grant B. Schley that if the $5,000,000 or $6,000,000 loans which Moore & Schley had with the several banks, with Tennessee company stock as collateral, had been cared for it would have relieved that firm, but it seems nothing less than control of the Tennessee company was considered by the Steel Corporation. (Hearings, pp. 72, 73.)

As said by a well-known writer, referring to the supposed unselfishness of the Steel Corporation in purchasing the stock of the Tennessee company, "if they checked the panic by this transaction, they did it by taking a few dollars out of one pocket and putting millions into another."

6. In his letter of November 4, 1907, to the Attorney General, the President further said: "Judge Gary and Mr. Frick inform me that * * * but little benefit will come to the Steel Corporation from the purchase." On the contrary, the property purchased is very valuable and the transaction highly beneficial to the Steel Corporation. Some of the evidence and publications upon which this conclusion is based will be stated.

Grant B. Schley testified that the facts set forth in the forty-seventh annual report of the Tennessee company for the year ending December 31, 1906, are true. The following statement from that report, except where credited to the sixth annual report of the Steel Corporation, made after the merger, is indicative of the income, sales, and earnings, improvements, output, and potential capacity of the company:

THE TENNESSEE COAL, IRON, AND RAILROAD COMPANY.

Comparative statement of income (p. 20).

Gross profits—	
For 1904	$1,862,631.21
For 1905	2,484,139.26
For 1906	2,753,159.85
For 1907 (p. 27, U. S. S. C. Rep.)	2,749,903.73
Gross sales and earnings (p. 19)—	
For 1904	9,607,578.74
For 1905	10,951,979.02
For 1906	13,265,970.66

New construction and development of land (pp. 24, 25).

For 1906	$1,355,632.28
For 1907 (p. 27, U. S. S. C., 6th Ann. Rep.)	6,589,116.99

In this connection note that the total costs of the plants of the Tennessee company, excluding land, was, on the date of this report (p. 21) $11,211,872.30, and that of the $6,589,116.99 expended for new construction in 1907 only about $72,000 was expended for land, leaving the balance of over $6,500,000 expended for enlargement of its manufacturing capacity, or an increase of about 60 per cent.

Actual and proposed increase of output.

"As compared with previous years, your earnings may be favorably regarded, with operating profits in excess of 20 per cent on your volume of business. This result, considering the almost unlimited tonnage of your mineral reserves and their great potential value, should suggest no delay in providing the necessary facilities to meet

your income opportunity. Your executive committee, recognizing the inadequacy of your present facilities, has authorized substantial expenditures to increase your volume of business and income, but further expenditures could be advantageously made" (p. 7).

"But, as heretofore stated, the maximum possibilities with your present manufacturing and mining facilities are not sufficient for the most favorable results. The extensive improvements now under way, both in your mining and manufacturing departments, will greatly strengthen your operations, when completed and in running order" (p. 18).

"The physical condition of your mills during the past year (steel works and rolling mills) has been improved by liberal expenditures" (p. 28).

"While a general rehabilitation of old equipment has been taken care of by liberal maintenance, your executive committee have realized the necessity of increased steel and rail productive capacity and have authorized the construction of a modern steel works and rail mill. These extensive improvements are expected to *Double Your Steel Output and Rail Capacity* (capitals and italics in text) and radically reduce your cost of production. The benefits expected from these additions to plant will not be operative until the last half of 1907" (p. 28).

"The same policy as applied to your steel works and rolling mills, in respect to betterments and maintenance, has also been applied in building up your blast-furnace department" (p. 29).

"These extensions (iron mines and quarries) are all under way and substantially increased production will be realized during the year 1907" (p. 30).

UNFILLED ORDERS.

"The unfilled orders now on your books represent the largest tonnage in the history of your company. The business is well distributed and indicates broadening markets for all products. This is particularly true of coal and coke. The prospects for the future, as suggested by business on hand, shows no sign of business recession, and the outlook for the year 1907 is most encouraging" (p. 37).

"*Memorandum of unfilled orders as of January 1, 1907.*

	Tons.
Manufactured iron and steel products	467,114
Coal	1,200,000
Coke	201,000
	(p. 37.)

COMPARATIVE PRODUCTION.

	Tons.
Rails, billets, steel bars, and plates (p. 28):	
For 1904	155,266
For 1905	402,318
For 1906	401,882
For 1907 (p. 27, U. S. S. C., 6th Ann. R.)	477,624
Pig iron (p. 29):	
For 1904	475,314
For 1905	529,036
For 1906	641,887
For 1907 (p. 27, U. S. S. C., 6th Ann. R.)	602,827
Iron ore (p. 30):	
For 1904	1,208,038
For 1905	1,436,282
For 1906	1,483,476
For 1907 (p. 27, U. S. S. C., 6th Ann. R.)	1,576,757

POTENTIAL CAPACITY (P. 32).

"The knowledge that your executive committee has acquired as to the tonnage and character of the iron ore, coal, and limestone owned in fee simple by your company satisfies them that, in wealth of raw materials required for the manufacture of iron and steel, your company ranks as second to only one in the world, and is far in advance of any other iron or steel producer in cost of assembling its raw materials for manufacture.

"The mineral reserves of coal and iron contained in your lands, as computed by competent authorities, are estimated to be 700,000,000 tons of iron ore and 2,000,000,000 tons of coal. Approximately one-half of your coal supply is of a superior coking quality, and your iron ore is largely of a self-fluxing character, analyzing approximately 38 per cent metallic iron. This ore is well suited to the manufacture of high-grade foundry pig and to the production of basic pig iron for use in the manufacture of basic open-hearth steel" (p. 32.)

"The financial statement shows your company to be in a sound financial condition, with current assets of $3,004,480.09 in excess of your current liabilities" (p. 9.)

Grant B. Schley also testified that the acquisition of the Tennessee company "added materially to the value of the steel (corporation) securities" (Hearings, p. 73), and that in 1907 E. H. Harriman, or the Harriman railway lines, gave a large order to the Tennessee company for steel rails on account of a preference for rails of the open-hearth process of that company over rails of the Bessemer process of the Steel Corporation. (Hearings, p. 68.)

Oakleigh Thorne testified that the Tennessee company was paying a dividend of 4 per cent per annum. (Hearings, p. 38.)

George W. Perkins, a member of the finance committee of the Steel Corporation, testified that the Tennessee company property "is a very valuable property. Nobody has ever questioned that, so far as I know." (Hearings, p. 56.)

John W. Gates, a member of the Tennessee company syndicate, on November 7, 1907, gave out an interview to the daily papers in which he said: "As to the purchase of the Tennessee Coal, Iron & Railroad Co. by the United States Steel Corporation, the steel men got the best property in the country and at a bargain price. I regard it as a sacrifice of stock worth a great deal more than the purchase price. I did not want to sell my stock, but had to follow the crowd. Had Tennessee stock been thrown on the market I would have been better off, as I could have increased my holdings at a low price. The iron ore and coal deposits of the Tennessee company are worth many times more than the entire cost of the property to the Steel Corporation."

The New York Press, of November 7, 1907, said: "The Tennessee is one of the two steel companies in the United States which manufactures open-hearth rails, now so greatly in favor with the railroads. When Harriman bought 160,000 tons of rails of the Tennessee company, a few months ago, it brought the steel company to a realization that it had a strong competitor in the steel-rail field."

The New York Sun, November 7, 1907, said: "The acquisition of the (Tennessee) company is particularly advantageous to the Steel Corporation, because of the iron ore and coal properties that go with it. With the Great Northern and Northern Pacific ore lands acquired last year, together with the previous holdings, the Steel Corporation now has iron-ore deposits estimated at approximately 2,400,000,000 tons, of which approximately 700,000,000 tons come with T. C. & I."

John Moody, in an article in Moody's Magazine for January, 1909, said:

But the most fortunate business stroke of the Steel Corporation, from the viewpoint of its owners, since its organization in 1901, was the acquisition last year of the Tennessee Coal, Iron and Railroad property. The acquisition of this organization has added great potential value to the steel organization and has increased the tangible equity of its common-stock issue to a far greater extent than is commonly realized. The Tennessee coal and iron properties embrace, besides important manufacturing

plants, nearly 450,000 acres of mineral lands in the Birmingham section of Alabama. As shown in the report of the Tennessee company in 1904, when an appraisal was made by outside parties, these lands contain approximately 400,000,000 tons of first-class low-grade ore, and more than 1,200,000,000 tons of coal, of which about one-half is coking coal. This estimate indicates that the deposits embraced are even in excess of those of the great Lake Superior properties controlled by the corporation, including the Great Northern ore bodies. This entire property was acquired, as is well known, on very favorable terms for the Steel Corporation, and of course puts it in a position where now it need have no concern regarding a possible future shortage of supply of either iron ore, coal, or coke. Added to this is the fact that the deposits are more favorably located than those of the Lake Superior district and will enable the company to carry on in the years to come a vast economic development of production and manufacture in this section of the country. The Tennessee ore is of a grade which is better for the making of ordinary pig iron than that of any other known deposits in this country.

The same writer, in The Public, October 16, 1908, said:

This Tennessee coal and iron property embraces not only about 450,000 acres of mineral lands, but includes 41 developed and active iron-ore and coal mines, 16 large blast furnaces, the ownership of several land companies holding extensive tracts of land adjoining the several developed properties of the company, and also the Birmingham Southern Railroad Co., a terminal property of great value connecting the various mines and plants in the Birmingham district with all the diverging trunk lines.

The capacity of the company's blast furnaces a year ago was about 850,000 tons per annum and that of the developed coal and ore mines about 20,000 tons per day. If we compare this capacity with that of the actual production of all the other properties owned by the Steel Corporation, outside of the Tennessee Coal & Iron Co., for the year 1907, we will get the following results: "Blast-furnace products, 10,819,968 tons; ore and coal mined and limestone quarried, 39,576,161 tons." In other words, the capacity of the new properties acquired, according to the figures above, is about 15 per cent of the total production of mining products of the entire corporation for last year, and about 8 per cent of the blast-furnace products.

Based on those figures alone, therefore, the purchase was an exceedingly advantageous one for the Steel Corporation, as the purchase price was only about 3 per cent of the entire present capitalization of the Steel Corporation; or, if we regard all the common stock of the Steel Corporation as water, it was but 4½ per cent of the balance of capitalization.

But that would be only a superficial comparison.

The possibilities of the Tennessee property and the value of its raw materials are so gigantic that even if it were producing nothing at the present time it would have been the best bargain at $45,000,000 that the Steel Corporation or any other concern or individual ever made in the purchase of a piece of property.

The Steel Corporation, 15 months ago, entered into a lease with the Great Northern Railway interests whereby it has the right to mine at so much per ton the vast ore deposits of the Great Northern properties. The Steel Corporation agreed to pay to the Great Northern people $1.65 per ton for this ore, and transport a portion of the ore over the Great Northern tracks at a specified rate. The Great Northern ore bodies are estimated to contain about 500,000,000 tons of good ore, which, if all mined and taken by the Steel Corporation at $1.65 per ton, would make an ultimate cost to the Steel Corporation of about $850,000,000, without considering cost of transportation, etc. As stated in the Steel Corporation report for the year 1906, this contract was looked upon as a good one from the standpoint of the Steel Corporation.

The object in giving the foregoing details is to bring out a vivid comparison of this Great Northern deal with that made last winter in the acquisition of the Tennessee Coal and Iron Co. The Great Northern properties, containing probably 500,000,000 tons of ore, will ultimately cost the Steel Corporation about $850,000,000; but the Tennessee Coal and Iron properties, which are of far more value than the Great Northern properties probably ever can be, cost the Steel Corporation only $45,000,000.

To demonstrate the foregoing statements, let reference be had to the following from the annual report of the Tennessee Coal & Iron Co. for the year ending December 31, 1904. In that report Mr. Bacon, the chairman of the board, said:

"Early in the summer of 1904 a committee of appraisers was appointed, representing the Sloss-Sheffield Steel & Iron Co., the Republic Iron & Steel Co., and this company, to estimate the amount and quality of the coal and iron ore owned by each company. An examination covering several months was conducted, as the result of which a

report signed by every member of the committee was submitted, showing that this company owns in fee over 395,000,000 tons of red ore, of which 381,000,000 tons are graded as first class, 10,177,000 tons of brown ore, and over 1,623,000,000 tons of coal, of which 809,112,000 tons are coking coal. In the coking coal is included 300,000,000 tons of Cahaba coal, which is unexcelled in the South for steam and domestic purposes, and commands the highest market price of any grade of coal in the district. The men in charge of our iron mines estimate the holdings of iron ore of the company to be still larger, viz, of first-class red ore, over 450,000,000 tons; of second-class red ore, over 95,000,000 tons; and of brown ore, 16,900,000 tons."

From the above it will be seen, figuring the first-class ore at as low an amount as $1 per ton, that the valuation for that alone is $395,000,000. If we disregard the aggregate estimate of coal and simply take the estimate for coking coal at as low a figure as 50 cents per ton, we get a valuation of $400,000,000 more. A very conservative estimate of the values of the ore and coal deposits of the Tennessee Coal & Steel Co. at the present time is hardly less, in all probability, than $1,000,000,000.

Now, as far back as 1901 Mr. Schwab made the statement that the coking coal deposits of the Steel Corporation were of vast value, because of the fact that coking coal of the kind needed for blast furnaces was rapidly growing scarce, and that in a few years there would probably be no more. He disregarded the Tennessee properties, undoubtedly, but by this great acquisition the Steel Corporation has been put in a position where it need have no concern for the future as far as coking coal is concerned. In fact, the acquisition of the Tennessee Coal & Iron Co., aside from being a business stroke of enormous direct profit, has had the effect of rounding out and completing the control by the corporation of the ore and coking-coal supplies of the country.

That acquisition is of more value to the Steel Trust, and will be in the future in many ways, than its holdings of Lake Superior ores, both because of location and because of general character and quality of the deposits.

It is well known that the Tennessee iron-ore deposits are the best in the world for making pig iron; and the cost of production and manufacture of iron products in that section is considerably less than is the case in the Great Northern ore bodies. Therefore it can be easily demonstrated that the acquisition of this property for $45,000,000 added an almost unheard-of value to the equity back of the Steel Corporation stocks.

Many people have wondered and are still wondering why, in the face of temporarily poor earnings and in the face of tariff agitation, the Steel Corporation stocks, both common and preferred, have been steadily rising since last December, and are now almost at the highest figures of their history. The foregoing demonstration certainly accounts for it.

If it were not for the danger involved in tariff agitation, the Steel Corporation common stock would probably be selling to-day at nearly double its present value. In other words, instead of having a market price of $45 per share, a total market value of about $220,000,000, it would be selling in the neighborhood of $90 per share, with a total market value of $450,000,000. It could easily reach this point in spite of the fact that the corporation may not pay any larger dividends for several years to come.

The appraised value in 1904 of the Tennessee company's properties, as quoted above, was that of a thoroughly impartial and unanimous board. This appraisal must have been known to Mr. Morgan and the rest of his party when the property was taken over by the Steel Trust at the absurdly low price they paid. If they checked the panic by this transaction, they did it by taking a few dollars out of one pocket and putting millions into another.

Frank A. Munsey, in an article in Munsey's Magazine for June, 1908, who stated that the inventory was compiled through the courtesy and with the assistance of the Steel Corporation, said:

The Tennessee Coal & Iron Co. is entered as a separate item in this inventory. Its ore and coal and mills and furnaces and other properties are not included in the other classifications. This company is put in at an estimated value of $50,000,000, which is somewhat more than the Steel Corporation paid for it, but probably a much smaller sum than it is worth to the Steel Corporation. Its chief value lies in its coal and ore properties. Its ore is estimated at 700,000,000 tons. It is not as high-grade ore as the northern ore, but assuming that it is worth 15 cents per ton, it alone would amount to $105,000,000. Its coal is estimated at about a billion tons, which at 10 cents a ton would be $100,000,000. From the fact that the known supply of ore in the country is limited, it may be worth two or three times this price. There is no way of telling just what it is worth. But as a guide to the value of ores, we may take

the price fixed upon for the Great Northern ores between James J. Hill and the Steel Corporation. The Great Northern Railroad and the Northern Pacific had vast holdings of iron ore in the Messabe Range, and after many months of negotiation the Steel Corporation entered into a contract a year ago to take all this ore at a certain price per ton, the price to be advanced each year over the preceding year 3.4 cents. The first year's price, which covered the year 1907, was 85 cents a ton. This year it is 88.4 cents a ton. On this basis the price will soon be over a dollar a ton, and the average cost for the entire supply will be considerably in excess of that figure. And this ore is supposed to be of a lower grade, as a whole, than the ore owned by the United States Steel Corporation, which in this inventory has been conservatively—ultraconservatively—figured at 60 cents a ton. If the Hill ore is worth over a dollar a ton, the ore of the Steel Corporation is worth quite as much, and even more, as it is of a better grade. And these prices of this Northern Pacific ore have an important bearing on the ore properties of the Tennessee Coal & Iron Co. I should think that Mr. Charles M. Schwab is as good an authority as there is in the world on the value of iron ore. He said to me two or three days ago that the ore holdings of the Steel Corporation were easily worth a dollar a ton, and, in fact, might safely and conservatively be regarded as worth still more, for the reason that they can not be duplicated.

Judge E. H. Gary, of the Steel Corporation, in his testimony before the Ways and Means Committee of the House of Representatives in 1908, thus referred to this Munsey article:

This is the result of an independent examination by Mr. Munsey concerning the value of our properties. He gives the properties in detail, and his valuation, and if anything I would say that it is a little too high, but it is not very much too high, and certainly properties could not be reproduced for anything like that; in fact, it would be impossible to reproduce them at any price perhaps, some of them. (Tariff Hearings, p. 5496.)

But the Steel Corporation, in its corporate capacity, is on record as to this property. In the Sixth Annual Report of the United States Steel Corporation for the year ending December 31, 1907, the holdings of the Tennessee company which were acquired are given as follows (pp. 26, 27):

Surface and mineral rights acreage of iron ore, coal, and limestone property, owned in fee, 447,423, distributed as follows: In Alabama, 340,263 acres; in Tennessee, 105,740 acres; in Georiga, 1,420 acres. Upon this property there were in operation in the State of Alabama, near Birmingham, 13 active iron-ore mines, with 2 under construction; and at Greeley, 3 active iron-ore mines. In Georgia there were 2 active iron-ore mines in operation.

In Alabama there were in operation 22 active coal mines and 2,800 coke ovens; in Tennessee, 1 coal mine and 174 coke ovens.

There were 2 active quarries, 1 inactive, and 1 in course of development, all in Alabama.

There were 14 active blast furnaces in Alabama; 2 in Tennessee.

All mills, foundries, machine shops, etc., were located at Ensley and Bessemer Ala., near Birmingham.

The Tennessee company owned the capital stock of the Birmingham Southern Railway Co., a terminal railroad connecting the various mines and plants of the company in the Birmingham district, consisting of 31.16 miles of main and branch lines, 1 mile second track, 67.78 miles yard and siding tracks, 35 locomotives, and 725 cars of all descriptions.

The Tennessee company owned the entire issued capital stock of the Tennessee Land Co., the Booker Land Co., and a controlling interest in the stock of the Ensley Land Co.—these companies owning various tracts of land adjoining the several properties of the Tennessee company.

The net profits of the Tennessee company for the year 1907, after charging off $437,666.84 for depreciation and extraordinary replacements, and $885,552.31 for net interest charge on bonded and floating debt, were $1,426,684.58 (a little more than 4½ per cent on the capital stock).

The company spent during 1907 for extensions, additions, and betterments the sum of $6,589,116.99.

At page 29 of this report the following is found:

In November, 1907, the corporation acquired a majority of the common stock of the Tennessee Coal, Iron & Railroad Co., as is set forth in detail on page 25 of this report. The purchase was made during the financial panic of October, 1907. The parties owning or controlling a majority of the Tennessee company's stock offered the same to the corporation on terms which were satisfactory, both as to price and manner of payment. The purchase of the property promises benefit to the corporation and also aided promptly and materially in relieving the financial stress at the time existing. The Tennessee property is very valuable. Its mineral resources are large. The location of the iron ore and coal deposits in the immediate proximity of the manufacturing plants enables the production of iron at reasonable cost. It is believed the lines of business of the Tennessee company can be materially extended. During the last two years about $6,250,000 were expended in rehabilitating, modernizing, and enlarging the furnaces and steel plant. Additional expenditures of considerable magnitude in 1908 are contemplated to complete the plans for improvements which were under way when the corporation acquired the property. It is believed that when these improvements and extensions shall have been completed and the operating management perfected the business of the company will be profitable.

In this connection it is appropriate to invite attention to the testimony of Mr. Charles M. Schwab, ex-president of the Steel Corporation, before the Ways and Means Committee of the House of Representatives in 1908. In substance, Mr. Schwab testified (Tariff Hearings, p. 4915) that in Germany pig iron could be produced at from $9.50 to $12 per ton as against $14 to $14.50 in the United States; that in England it could be produced a little cheaper than in Germany; and that he was positive the cost of pig iron in Birmingham was less than the cost in England; and that the cost of converting pig iron into steel rails was about the same in Germany, England, and Birmingham. If this be true, and Mr. Schwab's testimony is clear and emphatic, the Tennessee company has a natural advantage of from $4.50 to $5 a ton in the production of steel rails over any other portion of the United States, since the proximity at Birmingham of all the elements for the production of pig iron justifies the inference that the average cost there is no more than the minimum cost in Germany or England, viz, $9.50 per ton.

Mr. Schwab, in the course of his examination before the House committee, said:

For example, I know that pig iron can be produced in different parts of Germany at from $9.50 to $12 a ton to-day, depending upon the location and character of the pig.

The CHAIRMAN. Against $14 here?

Mr. SCHWAB. About $14 to $14.50 here.

* * * * * * *

The CHAIRMAN. That is in Germany. How about England?

Mr. SCHWAB. England is probably a little cheaper, though it is not widely different.

The CHAIRMAN. What is the main reason for the additional cost of the pig iron here?

Mr. SCHWAB. Raw material and freights being higher.

The CHAIRMAN. Their iron is nearer the coal mines?

Mr. SCHWAB. Yes. They assemble it cheaper than we do.

The CHAIRMAN. I do not suppose they do it any cheaper than we can at Birmingham?

Mr. SCHWAB. No; we do it cheaper in Birmingham than they do in England.

The CHAIRMAN. You think the cost of pig iron in Birmingham would be less than the cost in England?

Mr. SCHWAB. I know it would be.

THE CHAIRMAN. The cost of converting the steel is about the same?

Mr. SCHWAB. In Birmingham it is about the same.

At page 4899 of the hearings Mr. Schwab testified that iron ore in the ground was worth $1 per ton. He said:

I would call attention to the fact that since that time (1901 or 1902) ores have not only been sold at a loss at a dollar a ton, but the lowest grade we have.

Another important factor entering into the potential capacity of the Tennessee company is the proximity of the iron ore, coal, and limestone holdings to each other and to the plants, and the consequent saving of transportation charges. The bulk of these holdings is in the State of Alabama (p. 26, 6th Ann. Rep. U. S. Steel Corp.), within a radius of 30 miles, and Judge Gary, in reference to this, testified before the Ways and Means Committee in 1908 (pp. 5471, 5472):

Mr. RANDELL. Is it not a fact that iron and coal are well situated with reference to each other in the United States in comparison to other countries?

Mr. GARY. So far as the Birmingham district is concerned, yes; but not so far as the other districts are concerned. They are remote one from another as compared with England and Germany.

* * * * * * *

Mr. RANDELL. You have your furnaces where there is neither coke, coal, nor iron ore?

Mr. GARY. That is right.

Mr. RANDELL. Everything has to be hauled to you?

Mr. GARY. I am not speaking of the Birmingham district.

The report of the National Conservation Commission, attached to the President's message of January 22, 1909 (Cong. Rec., 60th Cong., 2d sess., p. 1297), under the head of "Minerals," contains the following:

The known supply of high-grade iron ores in the United States approximates 3,840,000,000 tons, which at the present increasing rate of consumption can not be expected to last beyond the middle of the present century.

If, then, the United States Steel Corporation now owns and controls 2,400,000,000 tons of high-grade iron ore, as has been estimated, it has 62½ per cent of the total supply of the country. If this corporation acquired 700,000,000 tons of iron ore with the Tennessee company, it added to its then estimated holdings of 44 per cent of the iron-ore supply 18½ per cent, giving it, as stated, control of 62½ per cent of the iron-ore supply of the United States.

The purchase of this 700,000,000 tons of iron ore from the Tennessee company, increasing the steel corporation's holdings of ore more than 40 per cent, created that "future monopoly" in ore and "commanding position in trade" to which Judge Gary testified before the Ways and Means Committee.

The steel corporation, it is admitted, now practically controls the ultimate ore supply of the United States. In the tariff hearings before the Ways and Means Committee of the House in 1908 Judge Gary, of the steel corporation, testified:

Mr. COCKRAN. You practically do control the ore supply of the country?

Mr. GARY. No; not now; not for the immediate future.

Mr. COCKRAN. Well, the ultimate supply?

Mr. GARY. Yes; I think so; that is, pretty nearly. It is not absolute control. (Hearings, p. 5515.)

To sum the matter up briefly, we think the property is very valuable, worth probably several hundred million dollars, and that among the larger benefits which the steel corporation derives from the merger are the control of the open-hearth output of steel rails, the ultimate control of the iron-ore supply of the country, the practical monopoly of the iron and steel trade of the South, and the elimination of a strong and growing competitor.

The following conclusions of law are submitted:

1. Unless the merger under consideration contravened some Federal law it is a private affair or a matter for the States in which the companies were chartered. Assuming, therefore, for present purposes, that the absorption of the Tennessee company by the United States Steel Corporation was in violation of the act of Congress approved July 2, 1890, commonly known as the Sherman antitrust law, we are of the opinion that the President was not authorized to permit the absorption. The proposition is self-evident, needing neither argument nor judicial authority to support it, for manifestly the President is without authority to annul or suspend a law or to direct its nonenforcement either generally or in a particular case. The principle involved, in its broadest sense, is inherent in our form of government and is essential to the preservation of the rights and liberties of the people. This view is strengthened, if such were necessary, by the fact that the President is the one official who is by the Federal Constitution expressly enjoined to "take care that the laws be faithfully executed." Whatever may be the supposed emergency, no discretion is lodged in the President as to the enforcement of the law. This is a government of law and not of men, of law universal in its application, as to which none are immune. It is imperative that this principle be preserved in such a case as this, lest in time we revive the despotic prerogative of kings to create and license monopolies.

(See Senator Nelson's Report 848, on the antitrust law, 60th Cong., 2d sess., pp. 5, 9 et seq.)

No man is above the law and no man is below it; nor do we ask any man permission when we require him to obey it.

Obedience to the law is demanded as a right, not asked as a favor. (The President's message of December 7, 1903.)

In our judgment, the President was equally unauthorized to direct the Attorney General, as we believe he did in effect, not to interfere and not to enforce the law in this instance. Section 4 of the antitrust act of 1890 provides:

The several circuit courts of the United States are hereby invested with jurisdiction to prevent and restrain violations of this act, and it shall be the duty of the several district attorneys of the United States, in their respective districts, under the direction of the Attorney General, to institute proceedings in equity to restrain and prevent such violations.

As construed by the Supreme Court of the United States, the entire authority to execute the antitrust statute in the interest of the public is vested in the Attorney General. (Minnesota *v.* Northern Securities Co., 194 U. S., 71.)

The duty of that official in this respect is the creation of the statute, of the law, and the President can not subtract from it. When a case falls within the condemnation of the antitrust act, as is believed this case does, it is made the duty of the Attorney General to institute proceedings, and the President can not absolve him from its performance.

The general proposition was thus expressed by Attorney General Crittenden in 1851:

As a general proposition, it appears to me most judicious for the President, as well as more consistent with the form and spirit of our institutions, to forbear from interference with the functions of subordinate public officers, and to leave them to the discharge of their proper duties under all their legal responsibilities, and subject also to removal from office for neglect or abuse of their official trust. (5 Ops. Atty. Gen., 587.)

Far more specific are other authorities. In 1854 Attorney General Cushing said:

When the laws define what is to be done by a given head of department, and how he is to do it, there the President's discretion stops. (6 Ops. Atty. Gen., 341.)

In 1890 Attorney General Miller stated the rule clearly and strongly:

In short, the statutes do not contain any such provision as would authorize or justify the President in making such an order as is asked. Nor does any such authority inhere in the Executive office. The President has, under the Constitution and laws, certain duties to perform, among them being to take care that the laws be faithfully executed; that is, that the other executive and administrative officers of the Government faithfully perform their duties, and he has no more power to add to or substract from the duties imposed upon subordinate executive and administrative officers by the law than those officers have to add to or subtract from his duties. (19 Ops. Atty. Gen., 686.)

Chief Justice Marshall, speaking for the Supreme Court of the United States in a celebrated case, announced the same doctrine:

He is to affix the seal of the United States to the commission and is to record it. This is not a proceeding which may be varied if the judgment of the Executive suggests one more eligible, but is a precise course marked out by law and is to be strictly pursued. It is the duty of the Secretary of State to conform to the law, and in this he is an officer of the United States, bound to obey the laws. He acts in this respect, as has been very properly stated at the bar, under the authority of law and not by the instructions of the President. * * * But where he [the head of a department] is directed by law to do a certain act affecting the absolute rights of individuals, in the performance of which he is not placed under the particular direction of the President, *and the performance of which the President can not lawfully forbid* * * * it is not perceived on what ground the courts of the country are further excused from the duty of giving judgment that right be done to an injured individual. (Marbury *v.* Madison, 1 Cranch, 158, 171.)

Kendall *v.* United States (12 Pet., 524) was an action for mandamus against the Postmaster General to compel the payment of an award made under an act of Congress by the Solicitor of the Treasury to the petitioners, payment having been refused by the Postmaster General. Before instituting the action for mandamus the petitioners presented a memorial to Congress regarding the nonpayment, which was investigated by the Judiciary Committee of the Senate, who found that the law compelling the payment was plain and recommended the adoption of the following resolution by the Senate: "That the Postmaster General is fully warranted in paying, and ought to pay," etc., "the amount of the award of the Solicitor of the Treasury," which was unanimously adopted by the Senate. Upon a further refusal of payment by the Postmaster General, this action was brought. Mr. Justice Thompson, for the court, in the course of the opinion, said (p. 610):

The executive power is vested in the President; and as far as his powers are derived from the Constitution, he is beyond the reach of any other department, except in the mode prescribed by the Constitution through the impeaching power. But it by no means follows that every officer in every branch of that department is under the exclusive direction of the President. * * * But it would be an alarming doctrine that Congress can not impose upon any executive officer any duty they may think proper which is not repugnant to any rights secured and protected by the Constitution; and in such cases the duty and responsibility grow out of and are subject to the control of the law and not to the direction of the President.

After citing the report of the Judiciary Committee of the Senate upon its investigation of the refusal to pay, and the passage of the resolution quoted above as evincing the plain intent of Congress in the passage of the act, the court say further (p. 612):

It was urged at the bar that the Postmaster General was alone subject to the control and direction of the President, with respect to the execution of the duty imposed upon him by this law; and this right of the President is claimed as growing out of the obligation imposed upon him by the Constitution to take care that the laws be faithfully executed. This is a doctrine that can not receive the sanction of this court. It would be vesting in the President a dispensing power, which has no countenance for its support in any part of the Constitution, and is asserting a principle which, if carried out in its results to all cases falling within it, would be clothing the President with a power entirely to control the legislation of Congress and paralyze the administration of justice.

To contend that the obligation imposed on the President to see the laws faithfully executed implies a power to forbid their execution is a novel construction of the Constitution and entirely inadmissible.

Mr. Justice Miller, speaking for the Supreme Court, said:

We have no officers in this Government, from the President down to the most subordinate agent, who does not hold office under the law with prescribed duties and limited authority. (The Floyd's acceptances, 7 Wallace, 676.)

2. The absorption of the Tennessee Coal, Iron & Railroad Co. by the United States Steel Corporation, in our opinion, was in violation of the act of Congress approved July 2, 1890, well known as the Sherman antitrust law.

The United States Steel Corporation is the greatest combination of capital in the country. It was organized in 1901 by combining the following companies, with the respective amount of stock and bonds of each company:

The Carnegie Co	$320,000,000
The Federal Steel Co	126,600,000
National Tube Co	80,000,000
American Bridge Co	61,000,000
Lake Superior Consolidated Mines	34,700,000
American Steel and Wire Co	95,700,000
National Steel Co	63,400,000
American Steel Hoop Co	33,000,000
American Tin Plate Co	46,300,000
American Sheet Steel Co	51,000,000
Total stock and bonds acquired	911,700,000

These figures are taken from circulars issued by J. P. Morgan & Co., the syndicate managers of the organization.

In exchange for these stocks and bonds there were issued stocks and bonds of the United States Steel Corporation as follows:

Preferred stock	$497,400,000
Common stock	495,800,000
Bonds	304,000,000
Or a total of	1,297,200,000
Leaving in the hands of the syndicate	106,800,000
Or a total capitalization of	1,404,000,000

In 1908 Judge Gary, in his testimony before the Ways and Means Committee, admits that there were issued $400,000,000 more of stocks and bonds than the selling price of the stocks and bonds acquired. (Tariff Hearings, p. 5520.)

At the time of the consolidation of the above properties in 1901 their total stocks and bonds were $954,000,000 and their total annual products 11,431,000 tons. The capital stock and bonds of their competitors aggregated about $454,500,000 and annual products about

9,663,000 tons. (Compiled from data in Iron Age of December 27, 190 .) Since that date it is known the Steel Corporation has absorbed of these competitors the Union-Sharon Steel Co., with capitalization of $45,000,000 (1st Ann. Rep., p. 9); the Shelby Steel Tube Co., with capitalization of $15,000,000; and the Tennessee Coal, Iron & Railroad Co., with capitalization of $30,000,000.

The total capitalization of the Steel Corporation and the fact of combination in the original organization are shown by the following:

Judge Gary testified before the Ways and Means Committee in 1908 (Tariff Hearings, p. 5500):

The capitalization would be $480,199,000 of bonds of all classes, $360,381,100 of preferred stock, and $508,302,500, of common stock. * * * And then the subsidiary companies have bonded indebtedness, $125,346,000 (total, $1,474,028,000).

Further (Tariff Hearings, p. 5509):

Mr. COCKRAN. That company (United States Steel Corporation) was a combination of several other companies?

Mr. GARY. That company acquired by purchase properties belonging to these other corporations at a certain price, namely, the amount of their stock and bonds.

Mr. COCKRAN. And those companies which it purchased were themselves consolidations of several other companies, were they not?

Mr. GARY. Some of them were at least.

Mr. COCKRAN. The Federal Steel Company was?

Mr. GARY. Yes.

Mr. COCKRAN. The American Bridge Co. was?

Mr. GARY. Yes.

Pursuing this line of examination, Mr. Cockran drew admissions from the witness that besides the companies mentioned in the testimony quoted above the following companies were also absorbed: The Steel and Wire Co., The National Tube Co., The Tin Plate Co., The Illinois Steel Co., The Lorraine Steel Co., The Minnesota Iron Co.

Figures compiled from data given in the Iron Age, The Age of Steel, and other trade journals, as well as testimony before the Industrial Commission, indicate that the companies included in the new corporation produced of the total amount manufactured each year in the United States 52 per cent of iron ore, 54 per cent of coke, 49 per cent of pig iron, 60 per cent of steel, 67 per cent of steel rails, 60 per cent of finished iron and steel products, 63 per cent of wire rods, 94 per cent of wire, 95 per cent of wire nails, 94 per cent of tubes and pipes, 95 per cent of tin plate, 85 per cent of bridges, all woven and barbed wire (because owners of patents), and 66 per cent of the copperas.

It appears that at the time of the merger of the Tennessee company in 1907 this percentage of the total output of the Steel Corporation had been lessened by the growth and operation of independent companies, among them the Tennessee company. George W. Perkins testified before the subcommittee:

The CHAIRMAN. Do you know what relative proportion of the total output going into the commerce of the country and in its lines was then being produced by the United States Steel Corporation?

Mr. PERKINS. You mean what percentage, say, of 100 per cent of the total output?

The CHAIRMAN. Yes.

Mr. PERKINS. No, sir; but my belief is that it was a smaller percentage of the total than the percentage that existed at the time the Steel Corporation was organized.

The CHAIRMAN. You think, then, relatively, the independent producers at that time had increased their output?

Mr. PERKINS. That is my impression. (Hearings, p. 43.)

This general fact is also stated in the letter of the President to the Attorney General, November 4, 1907, and when considered in connection with the whole situation, particularly the wealth of raw materials of the Tennessee company, its advantage over every other company in assembling them for manufacture and distribution, and the doubling of its steel-producing capacity, it assists in explaining the willingness of the Steel Corporation to pay 20 per cent more than the market quotation for the Tennessee company stock. It was shown by testimony before the subcommittee that the improvements contemplated and authorized by the Tennessee company would double its steel output and rail capacity; that in wealth of raw materials required in the manufacture of iron and steel the company was second only to the Steel Corporation; and that it was far in advance of any other iron or steel producer in cost of assembling its raw materials for manufacture.

The monopolistic powers of the Steel Corporation, which were greatly enhanced by this merger, are indicated by the following testimony before the Ways and Means Committee in 1908:

Power of United States Steel Corporation to fix prices of steel and drive competitors out of the market.

Tariff Hearings, 1908, page 5470:

Mr. GARY. I think, with reductions in the tariff, the United States Steel Corporation would endeavor to take care of itself; but I think many, if not most, of our competitors would soon be out of business, and we would have the field.

Tariff Hearings, page 5491:

Mr. CLARK. If you want to; that is, if the United States Steel Corporation wants to fix the price of steel rails in this country at a given figure, have you not such a hold on these independent operators that not a single solitary one of them would dare to mark under your price?

Mr. GARY. I think, as applied to steel rails, that is probably true.

Tariff Hearings, page 5492:

Mr. CLARK. Have you not such a hold on the American market that you could immediately mark yours down to $20 or $25 long enough to put that fellow clear out of business, and then mark yours up again to where you wanted it?

Mr. GARY. Quite likely; that may be true. I will not say that is not true. I will not say that in the competition we could not drive a good many of our competitors out of business.

Tariff Hearings, page 5515:

Mr. GARY. We have competitors, you know, who are just as able to take care of themselves as we are, perhaps, particularly in some lines; but I do believe large numbers would be driven out of business if we were willing to drive them out, either because we thought it was right to do so or good policy to do so.

* * * * * * *

Mr. GARY. I think we have the commanding position in the trade, and I believe we recognize our responsibility to all on account of that position.

* * * * * * *

Mr. COCKRAN. You practically do control the ore supply of the country?

Mr. GARY. No, not now; not for the immediate future.

Mr. COCKRAN. Well, the ultimate supply?

Mr. GARY. Yes; I think so—that is, pretty nearly. It is not absolute control.

Capacity of United States Steel Corporation to manufacture iron and steel cheaper than any of its competitors.

Tariff Hearings, page 5452:

The CHAIRMAN. State whether you can produce it cheaper than your rivals in business.

Mr. GARY. Yes; I think we can. We certainly can at a large number of our furnaces. I think there is no doubt that we can produce iron and steel materially cheaper than most of our competitors.

The CHAIRMAN. Materially? How much? Take pig iron, for instance.

* * * * * * *

Mr. GARY. I think on the average. Of course, anyone hesitates to speak about a competitor, but I would not hesitate to say, in my opinion, at least $1 a ton.

The CHAIRMAN. Cheaper than your competitors?

Mr. GARY. Yes, sir.

Further examined along this line, he said (Tariff Hearings, p. 5453):

The CHAIRMAN. Give us your best judgment, Judge. You say not less than a dollar?

Mr. GARY. I would rather not guess any further than that.

The CHAIRMAN. Would it be safe to say $2?

Mr. GARY. Not on the basis of manufacturing cost, I think. Of course, I am not speaking from the standpoint of the corporation, Mr. Chairman—from the standpoint of the corporation, which has a decided advantage in the quantity and quality of its ores and in owning its transportation companies to carry the ores to the Lakes and its transportation facilities on the Lakes, and all that sort of thing. The advantage to the corporation is very much more; very much more than that.

The CHAIRMAN. Very much more than a dollar?

Mr. GARY. Oh, yes; very much more.

The CHAIRMAN. Is the entire difference more than $2?

Mr. GARY. Take an item of rails, for instance——

The CHAIRMAN. No; let us keep to pig iron.

Mr. GARY. All right. I think it is possibly more than $2, Mr. Chairman.

The CHAIRMAN. You think it is more than $2?

Mr. GARY. Yes; I think it is. I think there is no doubt it is more than that.

The CHAIRMAN. You think there is no doubt it is more than $2?

Mr. GARY. Yes.

Under the facts set out in this report, the absorption appears to have been contrary to the provisions of the antitrust law. Both companies, as we have said, were engaged in interstate commerce. They not only manufactured iron and steel, but sold, transported, and distributed their products among the several States of the United States. The transaction appears to be within the prohibition of the Federal statute.

Addyston Pipe Co. *v.* United States, 175 U. S., 211; Northern Securities Co. *v.* United States, 193 U. S., 197; Swift *v.* United States, 196 U. S., 375; Loewe *v.* Lawler, 208 U. S., 274; Pennsylvania Sugar Refining Co. *v.* American Sugar Refining Co., circuit court of appeals, second circuit (Dec. 15, 1908); United States *v.* American Tobacco Co (S. Doc. No. 646, 60th Cong., 2d sess.); Continental Wall Paper Co. *v.* Voight (Sup. Ct. U. S., Feb. 1, 1909).

Among other things, the effect and purpose of the purchase and absorption of the Tennessee company were to monopolize the iron-ore supply of the country for manufacture, sale, and distribution among the several States and generally to eliminate the Tennessee company as a competitor in the manufacture, sale, and distribution of iron and steel products among the several States. But complete monopoly of the iron and steel business is not necessary to bring the

case within the condemnation of the statute. The general principle is thus stated by Chief Justice Fuller:

"Again, all the authorities agree that in order to vitiate a contract or combination it is not essential that its result should be a complete monopoly. It is sufficient if it really tends to that end and to deprive the public of the advantages which flow from free competition." (United States *v.* Knight, 156 U. S., 1.)

In the case of the Waters-Pierce Oil Co. *v.* The State of Texas, decided January 18, 1909, the Supreme Court of the United States in an able opinion of Mr. Justice Day, reaffirmed this principle:

In United States *v.* Knight (156 U. S., 1) this court said: "Again, all the authorities agree that in order to vitiate a contract or combination it is not essential that its result be a complete monopoly. It is sufficient if it really tends to that end and to deprive the public of the advantages which flow from a free competition." This language was quoted with approval in the Addyston Pipe Co. case (175 U. S., 237). And in the Northern Securities case 193 (U. S., 197), while the Sherman Act directly condemned conspiracies and combinations in restraint of trade or monopolizing or attempting to monopolize the same, this court said (p. 332):

"That to vitiate a combination such as the act of Congress condemns it need not be shown that the combination in fact results, or will result, in a total suppression of trade, or in a complete monopoly, but it is only essential to show that by its necessary operation it tends to restrain interstate or international trade or commerce, or tends to create a monopoly in such trade or commerce, and to deprive the public of the advantages that flow from free competition.

Special attention is invited to the case of the United States *v.* The American Tobacco Co., supra. It involved the validity of the absorption of various independent companies by the American Tobacco Co. and was tried before four circuit judges on the certificate of the Attorney General under the act of February 11, 1903. The case was decided November 7, 1908, three of the judges, in separate opinions, declaring the absorption illegal. All of these opinions are interesting and able, but it will suffice to quote from that of Circuit Judge Lacombe:

LACOMBE, *C. J.:* The act of July 2, 1890, in its first section declares to be illegal "every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations." That declaration, ambiguous when enacted, is, as the writer conceives, no longer open to construction in the inferior Federal courts. Disregarding various dicta and following the several propositions which have been approved by successive majorities of the Supreme Court, this language is to be construed as prohibiting any contract or combination whose direct effect is *to prevent the free play of competition, and thus tend to deprive the country of the services of any number of independent dealers, however small.* As thus construed the statute is revolutionary. By this it is not intended to imply that the construction is incorrect. When we remember the circumstances under which the act was passed, the popular prejudice against large aggregations of capital, and the loud outcry against combinations which might in one way or another interfere to suppress or check the full, free, and wholly unrestrained competition which was assumed, rightly or wrongly, to be the very "life of trade," it would not be surprising to find that Congress had responded to what seemed to be the wishes of a large part, if not the majority, of the community and that it intended to secure such competition against the operation of natural laws.

The act may be termed revolutionary because before its passage the courts had recognized a "restraint of trade," which was held not to be unfair, but permissible, although it operated in some measure to restrict competition. By insensible degrees, under the operation of many causes, business, manufacturing, and trading alike has more and more developed a tendency toward larger and larger aggregations of capital and more extensive combinations of individual enterprise. It is contended that, under existing conditions, in that way only can production be increased and cheapened, new markets opened and developed, stability in reasonable prices secured, and industrial progress assured. But every aggregation of individuals or corporations, formerly independent, immediately upon its formation terminates an existing competition, whether or not some other competition may subsequently arise. *The act,*

as above construed, prohibits every contract or combination in restraint of competition. Size is not made the test. Two individuals who have been driving rival express wagons between villages in two contiguous States, who enter into a combination to join forces and operate a single line, restrain an existing competition, and it would seem to make little difference whether they make such combination more effective by forming a partnership or not.

Accepting this construction of the statute, as it would seem this court must accept it, there can be little doubt that it has been violated in this case. The formation of the original American Tobacco Co., which antedated the Sherman Act, may be disregarded. But the present American Tobacco Co. was formed by subsequent merger of the original company with the Continental Tobacco Co. and the Consolidated Tobacco Co., and when that merger became complete two of its existing competitors in the tobacco business were eliminated.

What benefits may have come from this combination or from the others complained of it is not material to inquire, nor need subsequent business methods be considered nor the effects on production or prices. The record in this case does not indicate that there has been any increase in the price of tobacco products to the consumer. There is an absence of persuasive evidence that by unfair competition or improper practices independent dealers have been dragooned into giving up their individual enterprises and selling out to the principal defendant. In this connection interesting testimony is given by one of the Government's witnesses. The deponent was for many years an independent dealer and secretary of the Independent Tobacco Manufacturers' Association. He testified:

"My business was conducted by me alone; I had no partner, no corporation. It had got to be a large business, and if anything happened to me there was no one there to continue it. The value of the business was in a brand, and I became fearsome what would happen to it if I would be disabled in any way. It would not be much value to my estate unless some one had a knowledge of the business and knew how to manage it, and then I believed there was a maximum business beyond which you can not conduct it profitably personally. It will get so big that it requires an organization. And then, too, I was only identified as a scrap-tobacco manufacturer, and going by precedent the consuming public of tobacco changes every 10, 12, or 15 years, and I have figured that might happen again, and it wouldn't use scrap tobacco and might use something else, and then I would not much have business, I thought. Whereas the American Tobacco Company had been in conference with me, I knew the officers, and I made up my mind when a proper proposition was made to me, such as was satisfactory to me, I would be very anxious to affiliate myself with a good, big tobacco organization, large enough and strong enough to take care of all conditions that might come up. I was not induced to sell out by a decrease of profits or by any unfair competition. I never had any fear they could drive me out of business."

During the existence of the American Tobacco Company new enterprises have been started—some with small capital in competition with it and have thriven. The price of leaf tobacco—the raw material—except for one brief period of abnormal conditions, has steadily increased until it has nearly doubled, while at the same time 150,000 additional acres have been devoted to tobacco crops and the consumption of the leaf has greatly increased. Through the enterprise of defendant and at large expense new markets for American tobacco have been opened or developed in India, China, and elsewhere. But all this is immaterial; each one of these purchases of existing concerns, complained of in the petition, was a contract and combination in restraint of a competition existing when it was entered into, and that is sufficient to bring it within the ban of this drastic statute.

A large part of the record is taken up with testimony as to concealment of the relations existing between some of the defendants. It is difficult to see what bearing this has on the question in controversy. If an agreement by a corporation to acquire a majority of the stock of a competing corporation is obnoxious to the statute, its vice is certainly not eradicated by the promptest publicity. If, on the other hand, such an agreement is innocent, it does not become guilty merely because the parties to it keep their own counsel about their mutual transactions.

It is contended that the case at bar is not within the statute since the various combinations complained of deal primarily with manufacture, and U. S. *v.* Knight (156 U. S., 1) is cited in support of that proposition. It seems to the writer, however, that subsequent decisions of the Supreme Court have modified the opinion in that case, and that the one at bar is as much within the statute as was the combination condemned in Loewe *v.* Lawler (208 U. S., 274).

It follows from what has been said that we think the resolution should be answered that, in the judgment of the committee, the

President was not authorized to permit the absorption of the Tennessee Co. by the Steel Corporation.

A. B. KITTREDGE.
LEE S. OVERMAN.
ISIDOR RAYNER.
C. A. CULBERSON.

VIEWS OF MR. BACON.

Under the facts narrated and the authorities cited in the foregoing report, it is my opinion that the absorption of the Tennessee Coal & Iron Co., by the United States Steel Corporation, was in violation of the existing laws of the United States; and no officer of the United States has authority to countenance or to even negatively sanction such violation of law.

In view, however, of the fact that the Constitution devolves upon the Senate the duty of hearing and determining any charges alleged against the President, which may be preferred in the manner prescribed by the Constitution, it is my opinion that, while the Senate might commend or approve any act of the President, it would be improper for the Senate in the absence of charges thus preferred, and a legal trial thereon, to express by resolution or otherwise its judgment of condemnation relative to any alleged official misconduct on the part of the President.

For this reason my view is that the expression of the opinion of the committee to the Senate should be limited to the above statement.

A. O. BACON.

VIEWS OF MR. NELSON.

In my opinion the absorption of the Tennessee Coal & Iron Co. by the United States Steel Corporation was clearly in violation of the antitrust law. I am further of the opinion that such absorption ought not to have been tolerated by the Government, but I believe the President was mislead into taking the course he did take by the representations made to him, that the absorption was necessary in order to stay and allay the financial panic then prevailing, and that, but for his belief in the truth of such representations, he would not have acquiesced in the absorption.

KNUTE NELSON.

VIEWS OF MR. FORAKER.

I do not think it necessary for the committee to consider whether or not the transaction under investigation was a violation of the Sherman antitrust law.

On that point I express no opinion, except that in my judgment it more properly belongs to a court of competent jurisdiction in an appropriate proceeding, with all the parties before it, to determine that question, than for this committee to pass upon it.

As I understand the resolution of the Senate directing this proceeding, it involves two assumptions:

1. That the merger was a violation of the Sherman antitrust law; and

2. That the letter of the President to the Attorney General, dated November 4, 1907, was in effect an attempt to authorize the Attorney General to take no steps to enforce the law that was being violated.

These same assumptions were also involved in the conference between Messrs. Gary and Frick and the President, and in the action of the President in writing his letter of November 4, 1907, to the Attorney General. Unless the parties to that conference were of the impression that the transaction would be in violation of the statute, or at least that it might be so construed, there was no reason for such a conference, and all they did was without any intelligent purpose.

If they were correct in their impressions and assumptions, the only question remaining is that which the Senate directed this committee to answer, namely: Whether or not the President had authority to permit the merger.

If the law did not apply to the transaction, there was no occasion for the President or any other official to be consulted or to give any expression on the subject, for, manifestly, he had no authority in the premises.

If, on the other hand, the law did apply, it is plain beyond the necessity of argument that the President had no power to suspend it, or to authorize or even permit its nonenforcement, for it is his duty to execute the law. This has been well settled ever since the Marbury case (1 Cranch 158).

Entertaining this view, I am of the opinion that the question directed to this committee by the Senate, "whether the President was authorized to permit the absorption of the Tennessee Coal & Iron Co. by the United States Steel Corporation," should be answered in the in the negative.

J. B. FORAKER.

HEARINGS BEFORE SUBCOMMITTEE.

HEARINGS AS TO ABSORPTION OF TENNESSEE COAL, IRON & RAILROAD CO. BY THE UNITED STATES STEEL CORPORATION, BEFORE A SUBCOMMITTEE OF THE COMMITTEE ON THE JUDICIARY, UNITED STATES SENATE, CONSISTING OF MESSRS. CLARK (CHAIRMAN), DILLINGHAM, KITTREDGE, CULBERSON, AND OVERMAN.

The resolution of the Senate authorizing and directing the inquiry was agreed to on January 8, 1909, and is as follows:

Resolved, That the Committee on the Judiciary be, and it is hereby, directed to report to the Senate, as early as may be practicable, whether, in the opinion of the committee, the President was authorized to permit the absorption of the Tennessee Coal and Iron Company by the United States Steel Corporation, as is shown by the message of the President in response to Senate resolution numbered two hundred and forty, this session.

COMMITTEE ON THE JUDICIARY,
UNITED STATES SENATE,
Friday, January 22, 1909.

The subcommittee met at 10 o'clock a. m.

Present: Senators Clark of Wyoming (chairman), Dillingham, Kittredge, Culberson, and Overman.

Present also, Mr. Herbert Knox Smith, Commissioner of Corporations.

The CHAIRMAN. The committee will come to order. On January 16, 1909, the subcommittee organized, each and every member thereof being present, and the following communication was addressed to the Attorney General of the United States:

COMMITTEE ON THE JUDICIARY,
UNITED STATES SENATE,
Washington, D. C., January 16, 1909.

Hon. CHARLES J. BONAPARTE,
Attorney General.

SIR: On the 8th instant the Senate passed the following resolution:

"*Resolved*, That the Committee on the Judiciary be, and it is hereby, directed to report to the Senate, as early as may be practicable, whether, in the opinion of the committee, the President was authorized to permit the absorption of the Tennessee Coal & Iron Co. by the United States Steel Corporation, as is shown by the message of the President in response to Senate resolution numbered two hundred and forty, this session."

This resolution is now before the Committee on the Judiciary. A subcommittee has been appointed to take it under consideration and to make report upon it to the full committee. The subcommittee will meet on Thursday next, January 21, at 10 o'clock a. m., and will be glad to have you appear before it, if you desire to do so, and submit any matter which you may see proper to submit.

Yours, truly,

C. D. CLARK, *Chairman.*

Whereupon the committee adjourned.

On January 21, 1909, the committee met, all members being present, when the reply of the Attorney General to the letter of the committee of January 16, was received as follows:

OFFICE OF THE ATTORNEY GENERAL,
Washington, D. C., January 20, 1909.

Hon. CLARENCE D. CLARK,
Chairman Committee on the Judiciary,
United States Senate.

MY DEAR SENATOR: I am duly in receipt of your letter of the 16th instant, informing me of the adoption by the Senate of the following resolution:

"*Resolved*, That the Committee on the Judiciary be, and it is hereby, directed to report to the Senate, as early as may be practicable, whether, in the opinion of the committee, the President was authorized to permit the absorption of the Tennessee Coal & Iron Co. by the United States Steel Corporation, as is shown by the message of the President in response to Senate resolution numbered two hundred and forty, this session."

You further inform me that the subcommittee of your committee will meet to consider this resolution at 10 a. m. on Thursday next, January 21, and would be glad to have me appear before it, if I so desire, or to submit any matter which I may deem proper to lay before it. Imperative official enagagements make it difficult for me to be present at the time mentioned, and I think I can render all the assistance which is in my power to the committee by transmitting to you, in this letter, a statement of the facts as known to this department, relating to the subject matter of the said resolution.

On November 4, 1907, the President addressed to me a letter of which I inclose a copy. At the time of the visit to him by Messrs. Frick and Gary, to which reference is made in this letter, I was absent from Washington, but after the letter had been written and before it reached me I had a brief conversation with the President, in which I was informed, in substance, of the facts stated more in detail in the letter itself. In this conversation I advised the President that, so far as the Department of Justice was informed, no reason existed to believe that the United States Steel Corporation or its officers, directors, or stockholders were subject to prosecution or civil action under the Sherman antitrust law, and that, supposing such to be the fact, the information conveyed to him by Messrs. Frick and Gary did not materially alter the existing situation. I added the statement in substance that in my opinion, based upon certain decisions of the Supreme Court, and especially the Knight case (156 U. S., 1), the transaction said by Messrs. Frick and Gary to be in contemplation would not in itself constitute an offense against the said law or furnish ground for action by the Government to enjoin its consummation; but if this transaction had been preceded or should be followed by a series of others of like nature, a materially different situation would be presented and the case would become, in some measure, analogous to those of the Standard Oil Co. and the Tobacco Trust and other combinations of the like nature. In the same conversation the President asked my opinion as to the legal correctness of the attitude he (the President) had assumed in his conversation with the gentlemen in question, that attitude being in substance that while he had no right to advise them to take the course they proposed or make any suggestion to them in the premises he was not called upon to interpose any objection, and I replied that in my opinion such course by the President was strictly appropriate under the law.

The Department of Justice has stood ready at all times to take suitable action with respect to any alleged violation of law on the part of the United States Steel Corporation or any other corporation or individual upon receiving information from trustworthy sources furnishing some reasonable ground for the belief that such violation of law had occurred; but no such information has been furnished regarding the United States Steel Corporation, nor has any specific charge or complaint against the said corporation been presented to the department from any source whatever.

I remain, yours, very respectfully,

CHARLES J. BONAPARTE,
Attorney General.

THE WHITE HOUSE,
Washington, November 4, 1907.

MY DEAR MR. ATTORNEY GENERAL: Judge E. H. Gary and Mr. H. H. Frick, on behalf of the steel corporation, have just called on me. They state that there is a certain business firm (the name of which I have not been told, but which is of real importance in New York business circles) which will undoubtedly fail this week if

help is not given. Among its assets are a majority of the securities of the Tennessee Coal Co. Application has been urgently made to the steel corporation to purchase this stock as the only means of avoiding a failure. Judge Gary and Mr. Frick inform me that as a mere business transaction they do not care to purchase the stock, and under ordinary circumstances they would not consider purchasing the stock, because but little benefit will come to the steel corporation from the purchase; that they are aware that the purchase will be used as a handle for attack upon them on the ground that they are striving to secure a monopoly of the business and prevent competition—not that this would represent what could be honestly said, but what might be recklessly and untruthfully said. They further inform me that as a matter of fact the policy of the company has been to decline to acquire more than 60 per cent of the steel properties, and that this purpose has been persevered in for several years past, with the object of preventing these accusations, and as a matter of fact t eir proportion of steel properties has slightly decreased, so that it is below this 60 per cent and the acquisition of the property in question will not raise it above 60 per cent. But they feel that it is immensely to their interest, as to the interest of every responsible business man, to try to prevent a panic and general industrial smashup at this time, and that they are willing to go into this transaction, which they would not otherwise go into, because it seems the opinion of those best fitted to express judgment in New York that it will be an important factor in preventing a break that might be ruinous; and that this has been urged upon them by the combination of the most responsible bankers in New York, who are now thus engaged in endeavoring to save the situation. But they asserted they did not wish to do this if I stated it ought not to be done. I answered that while of course I could not advise them to take the action proposed, I felt it no public duty of mine to interpose any objection.

Sincerely, yours,

THEODORE ROOSEVELT.

HON. CHARLES J. BONAPARTE,
Attorney General.

Thereupon the committee ordered a subpœna issued for the Hon. Herbert Knox Smith, Commissioner of Corporations, to appear before the committee at the hour of 10 o'clock a. m., January 22, 1909.

[Addressing Mr. Herbert Knox Smith.] Mr. Smith, this committee which has called you before it is the subcommittee of the Committee on the Judiciary, which has been directed to consider the resolution which you have before you and which reads as follows:

Resolved, That the Committee on the Judiciary be, and it is hereby, directed to report to the Senate as early as may be practicable whether, in the opinion of the committee, the President was authorized to permit the absorption of the Tennessee Coal and Iron Company by the United States Steel Corporation, as is shown by the message of the President in response to Senate resolution numbered two hundred and forty, this session.

It has been the opinion of the committee that in order to thoroughly determine the matter which has been referred to it by the Senate it is necessary to have some knowledge at least of the primary facts in connection with the Tennessee Coal & Iron Co., or the Tennessee Coal, Iron & Railway Co., which, I believe, is its correct name, and the United States Steel Corporation, and we have thought that your office might furnish us very valuable information as to the organization, as to the holdings, and other items connected with the operation of these two companies; and therefore we have asked you to come before us and give us any and all information that you have in your possession. I do not know that I have any particular point toward which to direct your attention, but it is possible some member of the committee may have, as a primary proposition. Have you, Senator Kittredge?

Senator KITTREDGE. I think not. From your statement, Mr. Chairman, Mr. Smith will have a knowledge of the general scope of the information we desire.

Mr. SMITH. I can state briefly that I have no personal knowledge whatsoever of the relations of these two companies except such as I have gathered from the public press and from one other source to wit, the report of the United States Steel Corporation for the fiscal year ending December 31, 1907, on pages 25, 26, 27, and following pages, on which appears a considerable amount of information under the heading, "Acquisition of Tennessee Coal, Iron, and Railroad properties." That report I have brought with me. [Producing it.]

I have also, in the brief time since the subpœna was served upon me (at about 4 o'clock yesterday afternoon), investigated, to the best of my ability, the files of the office and I find nothing in those files which in any way relates to the relations between these two companies. We have a mass of material relating to the United States Steel Corporation and a little relating to the Tennessee Coal, Iron & Railroad Co., but the substantial dealings with the questions of production, amounts of production, selling prices, and amounts of sales—those were gotten in order to determine costs and prices, and ultimately, possibly, profits.

But as to the relation of those two companies, I have not, either through the bureau or through myself, any information whatsoever.

I ought to say, possibly, that I was not consulted in connection with the matter at all. I was away on my vacation, in fact. I do not know exactly when the conference, of which I have read, took place at the White House. I was in the city here on November 6 and saw the President, but on a totally different matter, and so far as I know, and so far as I can recollect, he never spoke to me about it.

Senator CULBERSON. November 4, 1907, is the date fixed by the President when these gentlemen called upon him.

Mr. SMITH. I was on my vacation, but came to town for another matter.

Senator DILLINGHAM. On that day?

Mr. SMITH. On the 6th. I was here from 8 o'clock in the morning until 11 o'clock at night. I have looked at my diary and it gives those hours as the time I was here.

The CHAIRMAN. Have you in your office any data which shows the relative production of the United States Steel Corporation compared with the whole production in the United States, with reference to the articles which they produce?

Mr. SMITH. I think, Mr. Chairman, that I have. Yes; I should say that I have.

With the permission of the committee, I would like to make this statement, with all absolute respect to the committee. I would prefer not to present any facts, either verbally or by the bringing of papers or records, until I have consulted with the Attorney General. Let me explain the reason for that.

Under the organic act which created the Bureau of Corporations, it has been always held by our office that the information gathered by the commissioner was absolutely confidential and should be published only by the President. That seems to us to be the necessary implication from that law. Therefore, as I understand my statutory duty, it is that I can not give that information to anyone except the President. When the act was passed, I understand the reason for that provision was that the Commissioner of Corporations was given very great powers of inquiry into the private business affairs of cor-

porations and individuals; that, therefore, that information should be safeguarded by making its publication rest only in the discretion of the highest officer, to wit, the President. The reason for it seems very clear, and the implication of the statute seems to be very clear, Mr. Chairman.

I submit that statement as what I conceive to be my legal duty.

The CHAIRMAN. We might inquire, incidentally, whether in that interpretation you considered the fact as to whether you should not make that known to the very power or authority which created your office?

Mr. SMITH. I do not understand the point, Mr. Chairman.

The CHAIRMAN. I say, in your interpretation, did you consider this proposition: The Congress of the United States has passed a law which authorizes you to make certain investigations, which you are not to disclose except upon and with the consent of the highest authority; but would that prohibit your making the disclosure to the very body which created your office and gave you that power? I do not care to enter into that discussion, of course, but I submit that suggestion for your consideration.

Mr. SMITH. May I just suggest as to that——

Senator CULBERSON (interposing). In other words, does not that prohibition apply to the general public and not to the Congress, if it sees proper to take the matter up directly?

The CHAIRMAN. That is my view.

Mr. SMITH. I see the point. My comment on that would be that should Congress pass a law requiring us to give that information up, either specifically or generally, undoubtedly I will have to obey that law; but until Congress does so I feel myself bound (in my own opinion, at least) by what I have said. Of course, that is subject to correction by the best legal authority we can get. You will appreciate my position, that I simply want to obey the law.

Senator CULBERSON. You make no positive decision of that character now, as I understand it?

Mr. SMITH. Certainly not.

Senator CULBERSON. But you simply desire time for consultation with the Attorney General?

Mr. SMITH. That is it, exactly, sir. May I make a brief statement and ask a question without having it taken down by the stenographer?

The CHAIRMAN. Certainly.

(After several minutes of informal discussion.)

Senator CULBERSON. You say you only know about this merger from the press reports?

Mr. SMITH. The press reports and the reports here [indicating].

Senator CULBERSON. That was published in December?

Mr. SMITH. It is dated December 31, 1907, and probably published in the following January some time.

Senator DILLINGHAM. You had better state what that report is, so it will show in the record.

Mr. SMITH. This is the Sixth Annual Report of the United States Steel Corporation for the fiscal year ended December 31, 1907.

The CHAIRMAN. Can you leave that report with us?

Mr. SMITH. Certainly; I brought it here for the use of the committee.

Senator CULBERSON. I think the Senator from ermont [Senatot Dillingham] and myself are agreed upon this point, and to make if plain I will say that we agree that the suggestion is that so much or that report as refers to the Tennessee Coal, Iron & Railroad Co. acquisition be put in as a part of the statement of the Commissioner of Corporations this morning.

Mr. SMITH. And quoted by me from the report?

Senator CULBERSON Yes, sir; of course.

Mr. SMITH. That is pages 25 to 34, inclusive.

Senator CULBERSON. You state that you know about this merger from press reports at the time and this Sixth Annual Report of the Steel Trust

Mr. SMITH. Yes, sir.

Senator CULBERSON. You have made no official inquiry?

Mr. SMITH. None at all. We were not at work on that side of the steel industry at the time. We were at work on prices and profits and cost of production.

Senator CULBERSON. It has been something over a year since that was officially announced, and still no inquiry has been instituted as to this merger by the office which you represent?

Mr. SMITH. We have not got to that point yet.

Senator CULBERSON. When do you expect to reach it?

Mr. SMITH. We are just beginning to finish up the results of the prices and profits. It was such an enormous task, and my force is so very small that it took a considerable length of time. I can hardly say when I will reach it.

Senator CULBERSON. Do you expect to take it up at all—to make inquiry into this merger?

Mr. SMITH. Oh, certainly; we will have to. If we make report on the examination of the entire steel corporation, as I have indicated to-day, we will have to take it up.

Senator CULBERSON. Do I understand you propose to take it up with reference to the advisability or legality of this merger, or that you simply are going to take it up with reference to the facts?

Mr. SMITH. The facts. We do not consider that our duty is in any way that of a prosecuting agent. The Bureau of Corporations never acted in that way. True it is, we have come across facts which indicated criminal conduct in the case of various corporations and individuals——

Senator CULBERSON (interposing). Have you, or the office of the Commissioner of Corporations, as represented by either your predecessor or yourself, made inquiry with reference to the creation of the Standard Oil Trust.

Mr. SMITH. Yes, sir.

Senator CULBERSON. And you reported that to whom?

Mr. SMITH. We made inquiry as to the facts of that. We reported the facts to the President, and he ordered them published.

Senator CULBERSON. Was it all published?

Mr. SMITH. All we had; yes. You understand, Senator Culberson, that we get our facts in the shape of various reports, documents, court records; and, for instance, that matter of the Standard Oil Co. would probably fill one-quarter of this room; but those facts and that information are digested and put into readable shape and published in a report.

Senator CULBERSON. You publish the substance of the report?

Mr. SMITH. Yes, sir; the substance of it, not the evidential facts. We published the conclusions or the fundamental facts in the shape of a report of perhaps 700 pages.

Senator CULBERSON. That has been published by the President?

Mr. SMITH. Yes, sir.

Senator CULBERSON. Did you make any examination with reference to the Sugar Trust?

Mr. SMITH. We have not; no, sir. We took it up very briefly, but simply in connection with some other work.

Senator CULBERSON. Have you made a similar inquiry in relation to the Tobacco Trust?

Mr. SMITH. We are working on that now—not from the standpoint of legality, but from the standpoint of facts.

Senator CULBERSON. Are you proceeding under your general duties as fixed by the law, or under special instructions?

Mr. SMITH. We have, in the case of four of our investigations, resolutions from both Houses of Congress, or one House, requesting those investigations. Those resolutions, as I recollect, apply to the oil industry, the lumber industry, the International Harvester Trust Co., and the cotton exchanges. The others we took up ourselves on the general principle that we desired to set forth, for the benefit of Congress and the public, facts as to certain great staple industries, like steel, oil, and so forth.

Senator CULBERSON. Have you made any report to the President as a result of your inquiries with reference to the Tobacco Trust?

Mr. SMITH. No, substantially not. When they started the suit——

Senator CULBERSON (interposing). Have you actually?

Mr. SMITH. They did consult with us. I turned over Mr. McReynolds, who had charge of the work for the Attorney General to my man in charge of the tobacco work, but I do not think he used very much of our data.

Senator CULBERSON. Is there anything in your office showing anything about the stockholders of the Steel Trust?

Mr. SMITH. I do not think so.

Senator CULBERSON. Is there anything showing who owns the bonds?

Mr. SMITH. I do not think so. I am speaking, however, from memory.

Senator CULBERSON. I wish you would refresh your recollection about that.

Mr. SMITH. I shall be glad to do so—the stockholders and bondholders of the Steel Corporation?

Senator CULBERSON. Yes; the United States Steel Corporation.

Senator OVERMAN. Have you any information showing the number of companies that have been absorbed by the United States Steel Corporation?

Mr. SMITH. I think we have.

Senator OVERMAN. Prior to the absorption of the Tennessee Coal & Iron Co.?

Mr. SMITH. I think we have. I think most of that will probably appear in that report [indicating the Sixth Annual Report of the United States Steel Corporation], or earlier reports.

Senator OVERMAN. Can you tell us now what companies have been absorbed?

Mr. SMITH. I can not do so offhand.

Senator OVERMAN. Will you kindly furnish us that information?

Mr. SMITH. Subject to that general statement I made, if it is information I can properly give.

Senator OVERMAN. Is there anything confidential about the absorption of one company by another?

Mr. SMITH. No, sir; and if it was not confidential I shall be very glad indeed to give it to the committee.

Senator OVERMAN. Why should that be confidential—the fact that one company absorbed another?

Mr. SMITH. I do not see how it could be, but it might happen. It happens sometimes one corporation will hold indirectly the controlling majority of the stock of another corporation, but will keep it absolutely secret.

Senator OVERMAN. Has that kind of information been furnished to you that you can not give us?

Mr. SMITH. I do not think so in regard to the Steel Corporation.

Senator OVERMAN. I am speaking of other corporations, corporations generally?

Mr. SMITH. It has been done with regard to corporations generally.

Senator OVERMAN. Where one company holds stock in another company, they desire that to be kept confidential?

Mr. SMITH. Yes. I do not mean to say we have kept all such information confidential, but simply such as has been given under the pledge of which I spoke a few moments ago.

Senator OVERMAN. You do not know how it is with reference to the United States Steel Corporation?

Mr. SMITH. I do not think we made any special agreement, and I do not think we have any special information on that subject.

Senator OVERMAN. Do you know what was the parent company of this United States Steel Corporation?

Mr. SMITH. That was the holding company—the United States Steel is a holding company substantially.

The CHAIRMAN. May I ask one question? Of what benefit is it to receive this information in your bureau if you are not enabled to use it, if you can only use it by withdrawing the confidential part of it, and seeking to acquire it through compulsory process? Is it simply to get, in that way, an inkling of what they have done?

Mr. SMITH. When we can use it in the shape of totals, it is just as satisfactory to get it in that way. We can use it, as I said to the Ways and Means Committee, in this way: The average cost of steel rails for the last five years or for any number of given years is so much, and we were enabled to make that statement to them as obtained in that way, without giving any of the details. We could say to them the lowest cost was so much or the highest cost was so much, and that is a very interesting proposition from the tariff standpoint and other standpoints.

The CHAIRMAN. That is a mere matter of statistics.

Mr. SMITH. That is our work. We are not a detective agency in any way. We simply want to furnish the public and to Congress the important economic facts in regard to our great industries, and we have published a great deal of that information.

Senator KITTREDGE. I desire to ask a question or two which I do not wish to appear in the record.

The CHAIRMAN. Very well.

(After several minutes of informal discussion.)

Senator CULBERSON. Mr. Smith, I will ask you if you have examined carefully the report of the Steel Corporation?

Mr. SMITH. I have not, sir.

Senator CULBERSON. Have you examined an article in Moody's Magazine for January, 1909, giving the history of the Steel Corporation?

Mr. SMITH. I do not recollect that I have seen it.

Senator CULBERSON. Have you examined Munsey's Magazine for June, 1908, on the same subject, which is spoken of with approval by Judge Gary in the hearings before the House committee last year?

Mr. SMITH. Yes; I read an article in Munsey's, but I do not know whether that was the one.

Senator CULBERSON. Have you any personal knowledge of the properties of the Tennessee company.

Mr. SMITH. I have no personal knowledge that I could give now at all with any certainty as to detail.

Senator OVERMAN. Have you any information as to the number of steel companies in existence when they commenced making steel and iron?

Mr. SMITH. I think we have that information in the bureau.

Senator CULBERSON. You say that principally the matters confidential relate to the cost of production?

Mr. SMITH. In the case of the steel industry; yes.

Senator CULBERSON. Have you read Mr. Schwab's testimony before the Ways and Means Committee?

Mr. SMITH. Very hastily.

Senator CULBERSON. Do you remember the statement there in Mr. Schwab's testimony to the effect that the Tennessee Coal & Iron Co. has a natural advantage of $4.70 to $5 a ton in the production of steel rails over any other portion of the United States?

Mr. SMITH. I think I remember some such statement.

Senator CULBERSON. Have you any information about that further than this testimony of Mr. Schwab's?

Mr. SMITH. I do not know whether I have or not. I have no such information in mind.

Senator OVERMAN. Was Mr. Schwab speaking in regard to the United States Steel Co.?

Senator CULBERSON. He was a witness before the Ways and Means Committee of the House of Representatives in December last, and gave that testimony with reference to the ability of that steel company to produce steel cheaper than in any other place in the United States.

Senator OVERMAN. At what point?

Senator CULBERSON. Birmingham.

Senator OVERMAN. He was speaking then of the Birmingham holdings?

Senator CULBERSON. Yes. The Tennessee Coal, Iron & Railroad Co.'s plants are all practically in Alabama.

Senator OVERMAN. I know that.

Senator CULBERSON. And they own three hundred and forty-odd thousand acres of ore land in that State, in and around Birmingham and Bessemer.

Senator OVERMAN. That is the point I made. Before that absorption they were making steel cheaper than the United States Steel Co. Does that comply with his statement there?

Senator CULBERSON. Yes. If Mr. Schwab and other owners and officers and beneficiaries of the Steel Trust are giving this testimony as to the cost of production, I do not understand how it ought to be regarded as confidential by anybody else.

Senator KITTREDGE. Was that a question?

Senator CULBERSON. No; that is just a statement.

Senator KITTREDGE. I should like to ask you, Mr. Smith, with reference to this confidential feature, Is the only feature covered by this investigation of a confidential nature that which relates to the cost of production?

Mr. SMITH. I would not want to say that. That, however, is the main feature.

Senator OVERMAN. He also said there might be some confidential information as to absorption of companies other than the Tennessee Coal & Iron Co.

Mr. SMITH. No; I have nothing like that of any sort; but there may be other cases where it is confidential—selling prices, for instance.

Senator KITTREDGE. To what other features do you refer?

Mr. SMITH. Well, certain statements as to tonnage and amounts of sales and amounts of production.

Senator KITTREDGE. Any features connected with the dealings of the Tennessee Coal & Iron Co. or the United States Steel Corporation with the railroad companies?

Mr. SMITH. I think not. I do not think we have anything of that sort.

Senator KITTREDGE. Have you named all the factors that are by any possibility to be regarded as confidential?

Mr. SMITH. I would not want to say that, because I do not think I have them all in mind. Those are all that occur to me now.

Senator KITTREDGE. The question of capitalization is not confidential, is it?

Mr. SMITH. Not so far as I know.

May I make this suggestion, Mr. Chairman? It seems to me that we are getting down here in the record a great deal of my talk about this confidential relationship which is closely connected up with my voluntary statement, which was volunteered only under the understanding it should not go into your record.

Senator OVERMAN. But you have not stated anything that is confidential.

The CHAIRMAN. He did not care to have it appear in the record when he made that voluntary statement. He gave that for our benefit, but did not want it to appear in the record as to the fact that he received a portion of the information which his office has under confidential communication.

Mr. SMITH. I volunteered that to show the position in which I am placed. It was not with reference to any particular question pending at that time, and not necessarily the subject matter under dis-

cussion, and I feel that I am really entitled to have that entire confidential matter go out from your record.

The CHAIRMAN. The stenographer need not take this now—until further directed.

(After several minutes of informal discussion:)

Senator KITTREDGE. When was the Steel Co. organized?

Mr. SMITH. In 1901 or 1902; it was some time in those two years.

Senator KITTREDGE. Have you in your office the detailed information of that organization?

Mr. SMITH. We certainly have considerable of it, yes; we do not have it all.

Senator KITTREDGE. And all the companies that were absorbed?

Mr. SMITH. We have considerable information with reference to that also. I do not know whether we have them all.

Senator KITTREDGE. And the location of those companies?

Mr. SMITH. I fancy so, yes; I am not sure about that.

Senator KITTREDGE. Since its organization, has the Steel Co. absorbed other coal or iron or steel companies?

Mr. SMITH. That, Senator Kittredge, would be subject to my same restriction that I have already stated, where I am in the position of having obtained the information confidentially.

The CHAIRMAN. Mr. Smith, is it not a part of the duties of your office, as you construe them under the law, to in a way keep track of such absorptions as the Senator from South Dakota [Senator Kittredge] has spoken of? In other words, is your office a mere office of statistics, the same as the Census Office, or are you supposed to proceed along broader lines for the general benefit of the public, for the general benefit of the country, to see that corporations so conduct themselves as that they shall come within the protection of the law?

Mr. SMITH. I hardly think as broad as that, Mr. Chairman; that is, we in no way consider ourselves a prosecuting or even directing agency.

The CHAIRMAN. Nor do I go that far; but it seems from your statement that the duty of your bureau, under your interpretation of the law, is simply collecting statistics; in other words, it would be a branch, rather, of the Census Office.

Mr. SMITH. I hardly think that, Mr. Chairman.

The CHAIRMAN. Because certainly it seems to me that the Bureau of Corporations should have definite and immediate information of these absorptions, especially at this time when the public is so greatly interested in the formation of these huge companies; and it seems to me without question that your department should have information as to the constituent properties that enter into one of these great combinations.

Mr. SMITH. That, I think, I can generally assent to. We take this attitude: We collect statistics, but what we want to do is to use those statistics to give to the public in concise form the facts as to the great industrial movements, such as you speak of, and it would be the ideal way to keep the public informed of these public operations.

The CHAIRMAN. Would not one of the prime facts of interest to your office and to the public generally be, when one of these combinations is formed, to know exactly the constituent corporations or companies that go into that corporation?

Mr. SMITH. Yes; and we should endeavor to obtain that as a part of our investigation.

The CHAIRMAN. And certainly, when a company has acquired as much public interest and has been in the public eye as much as the United States Steel Corporation, your office is in possession of the names of the individual properties that have entered into the combination?

Mr. SMITH. I think we are.

The CHAIRMAN. That was your inquiry, Senator Kittredge?

Senator KITTREDGE. Yes; names and locations.

Senator OVERMAN. Why should the fact that you get certain information that they have absorbed certain companies be kept confidential?

Mr. SMITH. You mean from a legal or practical standpoint?

Senator OVERMAN. Practical standpoint; for the information of Congress.

Mr. SMITH. I do not know the reason why it should be kept confidential.

Senator OVERMAN. Why do you make that sort of an agreement; that you will keep such information confidential?

Mr. SMITH. I do not say that I have that at all. Senator Kittredge asked me if I had that information and if I knew what had actually occurred. He asked if the facts were in my possession, and I said that might be covered, not by the confidential pledge, or anything of that sort, but what I conceive to be my restriction under the law, to wit, that I can give it out only with permission of the President.

The CHAIRMAN. What do you say, then, with reference to that last part of section 8 of the law creating your department?

Mr. SMITH. I interpret that to refer to the Secretary of Commerce and Labor. The Secretary of Commerce and Labor has a large number of other duties besides that of supervising the Commissioner of Corporations. There are statistics gathered by the Bureau of Census and by the Bureau of Standards and other bureaus, and that I take to refer to duties of that sort.

The CHAIRMAN. Is there anything in the law itself to eliminate the Bureau of Corporations from that section?

Mr. SMITH. No; on the other hand, there is plenty in the law to fulfill that duty. As a general proposition, we work under the specific requirement of secrecy, as we interpret our section, having in mind, as I have all the time, the reason at the bottom of the restriction that is placed upon me by the law—that is, the making public of this private information that I get by compulsory process.

Senator OVERMAN. Have you any information from this company of the holdings of stock in other companies, or the absorption of other companies, that you have agreed to keep confidential?

Mr. SMITH. I do not know that I have. I could not tell whether that is under the confidential pledge or not. I fancy it is.

Senator OVERMAN. Have you information along those lines?

Mr. SMITH. I think we have some. We do not have it all, but we are trying to get it.

The CHAIRMAN. Will you produce such information as you have?

Mr. SMITH. That is subject to statutory restrictions that I will have to put up to the Attorney General for an opinion. I will have

to get his opinion on that matter before I can definitely answer this committee.

The CHAIRMAN. Will you see the Attorney General and procure his opinion?

Mr. SMITH. I will submit the question to him, of course. This is with all due respect in every way, but I simply must follow my construction of the law. I may be wholly mistaken, of course.

Senator KITTREDGE. You say the Steel Corporation was organized in 1902. Do you remember the date?

Mr. SMITH. 1901 or 1902. It was in the fall of 1901, I think, but I do not remember the exact date. My impression is it was 1901, the fall of 1901 or the spring of 1902.

Senator KITTREDGE. And since that time it has either absorbed or gained control of other steel and iron companies?

Mr. SMITH. Unquestionably it has.

Senator KITTREDGE. Do you remember the percentage of the steel and iron business it conducted when the company was first organized, during the first year?

Mr. SMITH. I do not.

Senator KITTREDGE. Have you that information in your office?

Mr. SMITH. Yes; I think I have.

Senator KITTREDGE. Could you produce that information?

Mr. SMITH. If I find that under my statutory duties I am allowed to do it, I can produce it.

The CHAIRMAN. Have you any notion that under your statutory duties you are precluded from furnishing the Senate of the United States with practical information of that sort which is in your office? The simple matter of production, it seems to me, would be one of the things which you would be especially directed to give out to the public—the amount of the product of the company.

Mr. SMITH. I feel that all the information that I have is not under my control in any way. It is simply under the control of the Chief Executive.

The CHAIRMAN. The stenographer need not take this discussion now.

(After several minutes of informal discussion:)

Senator CULBERSON. Mr. Chairman, I suggest the committee adjourn until 10 or 10.30 o'clock to-morrow morning, and in the meantime have Mr. Smith consult his legal authority upon this question and return to-morrow morning and present his conclusions with reference to giving the committee that information.

Senator KITTREDGE. I have some special matters which I should like to suggest to Mr. Smith, in order that he may save time by having the information with him when he comes to-morrow morning.

Senator CULBERSON. Ought we not to say to Mr. Smith that we are going to interrogate him generally on this subject and we want practically whatever information he has in his office?

Senator KITTREDGE. Speaking personally, I think this committee is entitled to every particle of information that he has in his office, either by way of personal knowledge, books, records, papers, confidential information, or otherwise; that as between this commitee of the Senate and his office, there is no confidential bar possible to be interposed.

The CHAIRMAN. That is my idea.

Senator KITTREDGE. With that understanding, it will not be necessary for me to ask him with reference to the special information I shall desire.

Senator OVERMAN. We can conclude whether we will keep it confidential or not.

The CHAIRMAN. I think you had better limit that, Senator Kittredge, to the inquiry which the Senate has authorized us to make with relation to the Tennessee Coal & Iron Co. and the United States Steel Corporation.

Senator KITTREDGE. That is understood, of course, Mr. Chairman.

Mr. SMITH. And the United States Steel Corporation?

The CHAIRMAN. Yes; that covers it. All the information you have with regard to either of those companies, or both.

Mr. SMITH. I will have to present this to the Attorney General, and the process of the law is pretty slow and I can not expect to get his answer by 10 o'clock to-morrow morning.

Senator KITTREDGE. I think it might be well, Mr. Smith, to go personally to the Attorney General.

Mr. SMITH. I will go personally, of course.

Senator KITTREDGE. And I think we should have a determination of that question by to-morrow morning at the hour to which we shall adjourn.

Mr. SMITH. I will come here, of course, as you order, but I simply make this suggestion: I may not be able to submit to you the decision of the Attorney General at that time.

Senator KITTREDGE. I think he ought to be able to give that in that time.

Mr. SMITH. Of course, I can not control him.

Senator KITTREDGE. You ought to reach a conclusion by to-morrow morning.

Senator CULBERSON. The Attorney General seems to have given his opinion on the curbing down there with reference to this absorption.

Mr. SMITH. This involves a very important principle.

Senator CULBERSON. Not any more important than the other.

Mr. SMITH. Possibly not.

The CHAIRMAN. Gentlemen, we will adjourn until half past 10 o'clock to-morrow morning.

(Thereupon, at 11.30 o'clock a. m., the subcommittee adjourned until 10.30 o'clock to-morrow morning, Saturday, December 23, 1909.)

SATURDAY, *January 23, 1909.*

The committee met at 2.30 o'clock p. m.

Present: Senators Clark of Wyoming (chairman), Dillingham, Kittredge, and Culberson.

Present also, Mr. Herbert Knox Smith, Commissioner of Corporations.

The CHAIRMAN. Mr. Smith, at the close of the session of the subcommittee on yesterday, the suggestion was made, in view of your former statement as to the information which the committee thought they were entitled to, that upon your return to-day you were to give the committee your views upon that general proposition as made

known to you through the statement or interrogatory of Senator Kittredge.

Mr. SMITH. May I just add in a brief way that, of course, yesterday the matter turned largely on an abstract question of legal principle, and in discussing that I was obliged to take what looked like a position of opposition and follow that out to what I considered a proper conclusion. I want to simply say that when the legal principle is laid aside it is, of course, the desire of my bureau to facilitate this committee so far as possible, if I am allowed to do it. I do not want to leave myself standing in a position of opposition except in so far as the general legal proposition is involved.

As soon as I left the committee on yesterday I submitted in writing to the Attorney General substantially the question as put to me by the committee. This I submitted in the form of a letter to the Attorney General, which reads as follows:

JANUARY 22, 1909.

SIR: I have the honor to submit the following question:

I was subpœnaed to appear before the subcommittee of the Senate Committee on the Judiciary on January 22, at 10 a. m., at the Capitol. A copy of the said subpœna is hereto annexed. On appearing there, after some preliminary discussion, I was asked to furnish to the subcommittee certain information in regard to the United States Steel Corporation and the Tennessee Coal, Iron & Railway Co., presumably in my office, obtained by me as Commissioner of Corporations. I stated in substance that it had been the uniform construction of the bureau, placed from the beginning of its operations, upon its organic act, and also my personal opinion, that the necessary implication of section 6 of that organic act, February 14, 1903, prohibited me from giving to any one, or making public in any way, the information obtained by me as Commissioner of Corporations, except through and upon the direction of the President. I then stated that I desired an opportunity to lay this question before the Attorney General for determination as to whether the construction above outlined was correct or not. Considerable discussion ensued, but in substance the issue was joined on this point. Finally Senator Kittredge made the following statement, which was incorporated into the record of the hearing, intended to raise the question for your consideration.

"Senator KITTREDGE. Speaking personally, I think this committee is entitled to have every particle of information that he (the witness) has in his office, either by way of personal knowledge, books, records, papers, confidential information, or otherwise; that as between this committee of the Senate and his office there is no confidential bar possible to be interposed.

"The CHAIRMAN. I think you had better limit that, Senator Kittredge, to the inquiry which the Senate has authorized us to make with relation to the Tennessee Coal & Iron Co. and the United States Steel Corporation.

"Senator KITTREDGE. That is understood, of course, Mr. Chairman."

By direction of the President I lay the matter before you and beg to be advised what construction should be placed upon the organic act of the Department of Commerce and Labor above referred to, and in this connection whether the construction which I placed thereon is correct and what the application of that act is to the information desired by the said subcommittee.

Very respectfully,

HERBERT KNOX SMITH,
Commissioner.

The ATTORNEY GENERAL, *Washington, D. C.*

Mr. SMITH (continuing). Upon that the Attorney General rendered an opinion to me, which I have with me, and which is as follows:

DEPARTMENT OF JUSTICE,
Washington, January 22, 1909.

The COMMISSIONER OF CORPORATIONS.

SIR: I have the honor to acknowledge the receipt of your letter of this date, by direction of the President, asking my opinion on a question set forth in your letter, in substance as follows:

"I was subpœnaed to appear before the subcommittee of the Senate Committee on the Judiciary on January 22, at 10 a. m., at the Capitol. A copy of the said subpœna

is hereto annexed. On appearing there, after some preliminary discussion, I was asked to furnish to the subcommittee certain information in regard to the United States Steel Corporation and the Tennessee Coal, Iron & Railway Co., presumably in my office, obtained by me as Commissioner of Corporations. I stated in substance that it had been the uniform construction of the bureau, placed from the beginning of its operations, upon the organic act, and also my personal opinion, that the necessary implication of section 6 of that organic act, February 14, 1903, prohibited me from giving to any one, or making public in any way, the information obtained by me as Commissioner of Corporations, except through and upon the direction of the President. I then stated that I desired an opportunity to lay this question before the Attorney General for determination as to whether the construction above outlined was correct or not."

In this connection you furnish me with the following memorandum showing the view taken of the question by one of the Senators serving on the subcommittee of the Committee on the Judiciary before which you appeared:

"Senator KITTREDGE. Speaking personally, I think this committee is entitled to have every particle of information which he (the witness) has in his office, either by way of personal knowledge, books, records, papers, confidential information, or otherwise; that as between this committee of the Senate and his office, there is no confidential bar possible to be interposed.

"The CHAIRMAN. I think you had better limit that, Senator Kittredge, to the inquiry which the Senate has authorized us to make with relation to the Tennessee Coal & Iron Co. and the United States Steel Corporation.

"Senator KITTREDGE. That is understood, of course, Mr. Chairman."

The act approved February 14, 1903, and entitled, "An act to establish the Department of Commerce and Labor" (32 Stat., pt. 1, pp. 825, 828), contains the following provision, being part of section 6 of the said act, by which it is provided that there shall be in the Department of Commerce and Labor a bureau to be called "The Bureau of Corporations" and a Commissioner of Corporations, who shall be the head of said bureau:

"The said commissioner shall have power and authority to make, under the direction and control of the Secretary of Commerce and Labor, diligent investigation into the organization, conduct, and management of the business of any corporation, joint-stock company, or corporate combination engaged in commerce among the several States and with foreign nations, excepting common carriers subject to 'An act to regulate commerce,' approved February fourth, eighteen hundred and eighty-seven, and to gather such information and data as will enable the President of the United States to make recommendations to Congress for legislation for the regulation of such commerce, and to report such data to the President from time to time as he shall require; and the information so obtained, or as much thereof as the President may direct, shall be made public."

It is obvious from the language of this provision, first, that the Congress contemplated at the time of its enactment a possibility and even probability that some part of the information thus collected by the Commissioner of Corporations might be of a character which justice to the parties interested and also the public interest might require to be deemed confidential; secondly, that the Congress intended the President should judge whether any portion of the information and data obtained by the Bureau of Corporations, in accordance with the terms of the law, should or should not be made public. The information in question might involve the private affairs and trade secrets of citizens engaged, as members of corporations, joint-stock companies, or corporate combinations, in commerce among the several States and with foreign nations; and these circumstances, as well as the language of the act itself, justified the assumption that it was enacted with appropriate regard to the spirit as well as the letter of the fourth amendment to the Constitution, providing that "the right of the people to be secure in their persons, houses, papers, and effects against unreasonable searches and seizures shall not be violated, and no warrants shall issue but upon probable cause, supported by oath or affirmation, and particularly describing the place to be searched and the persons or things to be seized."

This construction is, according to my information, sustained by uniform and consistent departmental practice. The urgency of the present matter has not permitted a careful inquiry as to precedents, but two of great cogency are furnished by the experience of this department. In the prosecution of the cases against the so-called "Beef Trust" during the incumbency of Attorney General Moody, and in the prosecution of the "Tobacco Trust" since I have been Attorney General, the counsel in especial charge of these two cases, respectively, who were, of course, appointed and sworn officers of this department, requested access to the information collected by your bureau with a view to its use in the said prosecutions, and on each occasion, after careful considera-

tion of the language and reasonable intendment of the law, it was decided that the data in your possession were so far confidential in character that such inspection, although in the interest of the administration of justice and conducted by counsel of the highest standing, as well as intrusted with important public duties, would be inappropriate; and such access was therefore in each case refused, the President not having passed, and it being impracticable that he should pass personally, upon the propriety of such inspection in regard to the class of data to be investigated.

The legislative history of the measure shows that the same view of the effect of the clause was taken during the debates which preceded its adoption. When it was before the House of Representatives in Committee of the Whole, Mr. Mann, of Illinois, said:

"Mr. Chairman, the report of the bill from the committee provides for a Bureau of Corporations for the very purpose of providing an executive agency on publicity."

During a discussion of the conference report in the House, on February 10, 1903, Mr. Richardson, of Alabama, criticized the provision by saying:

"The purpose and object of this measure or of this substitute is to enable the President of the United States to do what? To take, under the supervision of the Secretary of Commerce and Labor, action against the trusts? No. It is to provide a way to gather such information and data as will enable the President of the United States to make recommendations to Congress for legislation. * * * When the President picks up the data under the qualifications and limitations that I have explained, he is to come back to Congress and ask for additional legislation."

Again, the same speaker said:

"I appeal to the honest construction that any man will give to the ordinary English language—what does that mean? 'As much thereof as the President may direct shall be made public.' He can suppress all data; every scintilla of information. He can hold it secret and stand pat and say and do nothing and no law can move him."

In the same debate Mr. Ball, of Texas, said of this provision:

"It creates a Bureau of Corporations at a considerable expense to gather information for the President, who makes public such as he sees proper."

And, finally, Mr. Smith, of Kentucky, said in that same connection:

"I apprehend that this provision of the amendment which says it shall lie in the discretion of the President as to what shall be made public of these reports would preclude the commissioner from laying before Congress what the official report developed in his investigation."

It is not necessary to pass upon the question whether the last-named gentleman was correct in the construction he placed upon the act. This is not the case of a demand in the form of a joint resolution or otherwise made by the Congress for access to the information which you thus hold. On August 23, 1854, Hon. Caleb Cushing, then Attorney General, advised the Secretary of the Interior as follows (6 Op., 680):

"Joint resolutions of Congress are not distinguishable from bills, and, if approved by the President, or if duly passed without the approval of the President, they have all the effect of law.

"But separate resolutions of either House of Congress, except in matters appertaining to their own parliamentary rights, have no legal effect to constrain the action of the President or of the heads of departments."

And, in that opinion, Attorney General Cushing used the following language (pp. 684, 685):

"But the Constitution has not given to either branch of the legislature the power, by separate resolution of its own, to construe, judicially, a general law or to apply it executively to a given case. And its resolutions have obligatory force only so far as regards itself or things dependent on its own separate constitutional power.

"Any other view of the subject would result in the absurd conclusion that a separate vote of either House could repeal or modify an act of Congress. For, as the Supreme Court well said in one of the cases before cited, a head of department 'must exercise his judgment in expounding the acts and resolutions of Congress under which he is, from time to time, required to act.' That exposition of the law, conscientiously made by him and with the aid of the law officer of the Government, is the law of the case. If the question be one of judicial resort, the exposition of the statute by the Supreme Court will constitute the law. But if it be a mere executive question then the exposition of the particular secretary, or of the Attorney General, is just as much the law, and, as such, binding on the conscience of the head of department as any other part of the statute, which may happen to be of unquestionable import, and so not to require exposition. In fine, it becomes the law—that is, the authorized construction of the legal intendment of the act of Congress. That ascertained legal intendment of a statute can not be authoritatively changed by a separate resolution of either or of both Houses, but only by a new act of Congress."

If this be true as to the want of authority on the part of either House of the Congress to constrain the discretion of the head of an executive department exercised under the provision of an existing law, it must be still more clearly true with respect to such an attempt when the discretion has been vested in the President himself. I am therefore compelled to advise you that, according to the proper construction of section 6 of the act to create a Department of Commerce and Labor, it is not permissible for you to disclose the data and information collected by you or by your predecessor as head of the Bureau of Corporations, unless by the special direction of the President; and I am confirmed in this view, because the law itself furnishes not only to the Congress, but to either House thereof, another method of obtaining such information as may be needed in the discharge of its public duties. Section 8 of the same act, after directing "That the Secretary of Commerce and Labor shall annually at the close of each fiscal year make a report in writing to Congress," adds:

"He shall also, from time to time, make such special investigations and reports as he may be required to do by the President, or by either House of Congress, or which he, himself, may deem necessary and urgent."

It is, however, of obvious propriety that each branch or department of the Government shall do all that in it lies to facilitate and render effective the labors of another branch or department in the discharge of its appropriate public duties. You have been requested by a subcommittee of the Senate to furnish it information in your possession to aid in the discharge of a duty imposed upon it by a resolution of the Senate. It appears to me clearly appropriate that you should immediately call this request to the attention of the President, submit to him, if practicable, all the documents containing relevant information upon the subject referred to and obtain his instructions as to what part, if any, of such data is suitable for publication by disclosure to the subcommittee of the Senate. I say this without reference to the cogency of the subpœna served upon you. This calls for the production of "all papers and documents in your possession, custody, or control as Commissioner of Corporations, or otherwise, relating in any manner to the United States Steel Corporation and the Tennessee Coal, Iron & Railroad Co." While in the interpretation of legal documents "and" is often construed "or" and vice versa, nevertheless, in view of the terms of the resolution under which this investigation is in progress and of the language of the fourth amendment to the Constitution above quoted, it is my opinion that you were clearly right in construing the said subpœna as requiring only the production of such documents as related to both of the two corporations named, and I understand you did produce a printed copy of the one document in your possession having these characteristics, the said document being in itself a printed copy of the same issue.

I remain, sir, yours, very respectfully, CHARLES J. BONAPARTE,
Attorney General.

Mr. SMITH (continuing). The opinion of the Attorney General was shown to the President, and he gave me certain instructions in the matter and desired me to tell this committee what his instructions are, and to do so by reading his letter to me as follows:

THE WHITE HOUSE,
Washington, January 22, 1909.

The COMMISSIONER OF CORPORATIONS:

In view of what you state to me you have been asked by the subcommittee of the Judiciary Committee of the Senate to produce, I direct that you immediately forward to me all the papers in your possession relating to the Steel Corporation and to the Tennessee Coal & Iron Co., so that in accordance with the law and to facilitate the inquiry of the Senate I may direct you what portions of these papers you may properly make public.

THEODORE ROOSEVELT.

Senator KITTREDGE. While perhaps this is premature and may be, therefore, simply a moot question, the law provides that your bureau shall make a report to the President and he shall make public such parts of that as he may deem wise.

Mr. SMITH. Substantially that.

Senator KITTREDGE. I am not attempting to give the exact language, but that is the legal effect of it, as I understand it. The law

further provides that, when required by Congress or either House of Congress so to do you shall make special reports.

Mr. SMITH. No; the Secretary of Commerce and Labor shall make special reports.

Senator KITTREDGE. Well, practically you.

Mr. SMITH. I think not.

Senator KITTREDGE. Well, the department.

Mr. SMITH. I think there is a very marked distinction.

Senator KITTREDGE. Well, it provides that the Department of Commerce and Labor shall make necessary reports to Congress or either House thereof. This is not a report. This is an inquiry directed by the Senate. You are a witness here, and therefore occupying the same status as a witness in court. Does not that feature change the situation as presented by the opinion of the Attorney General?

Mr. SMITH. I think not, sir. Of course, the Attorney General had in mind, I presume, that situation.

Senator KITTREDGE. He did not so state in his opinion.

Mr. SMITH. It is best for me not to discuss a matter of law.

Senator KITTREDGE. He treats it as a report. We are not asking you for a report.

This is merely an observation which I desired to make in order that it might appear in the record, as it may become important.

Senator CULBERSON. I will ask you, Mr. Smith, referring to the letter of the President which you have just read, if you have forwarded to him all of the papers in your possession relating to the Steel Corporation and to the Tennessee Coal & Iron Co.?

Mr. SMITH. To the best of my knowledge, I have. It might be I have omitted a few documents that I have not been able to find in the files, the mass was so large; but to the best of my ability, in the time I had, I forwarded everything to him.

Senator CULBERSON. Do those papers which you submitted to the President include anything about which you did not testify yesterday before the committee?

Mr. SMITH. They did include large amounts of information to which I made no specific reference whatsoever, though I might have covered them by some very general phrase.

Senator CULBERSON. Do those papers pertain to the cost of production of steel and iron?

Mr. SMITH. Some of them do.

Senator CULBERSON. Do any of them refer in any way to the stock or bond ownership of the United States Steel Corporation?

Mr. SMITH. I think not as connecting the stock or bond ownership with individual names. They might refer to some legal question of ownership, but not as connecting the names of any holders of bonds or stocks with any particular amount of bonds or stocks, so far as I can remember, except this: There would doubtless be in that quite a number of newspaper clippings which, in the usual newspaper way, might refer to the ownership by certain interests of certain amounts of stock or bonds; further, also this exception, that undoubtedly there are in that file, I think, copies of the original organization papers of those companies or some of them—certainly of the steel company—and of course, under the usual form of organization in New Jersey,

the names of original incorporators and probably their stock holdings would appear.

Senator CULBERSON. In what State was the Tennessee Coal, Iron & Railway Co. organized?

Mr. SMITH. I can not say offhand.

Senator CULBERSON. The United States Steel Corporation was incorporated in New Jersey?

Mr. SMITH. The parent company was incorporated in New Jersey.

If I may answer what I think is your general inquiry, I have no general list, so far as I know, of stockholders or bondholders of the steel corporation, and so far as I know, of none of the subsidiary corporations, except in so far as appears that the United States Steel Corporation owns certain subsidiary corporations.

Senator CULBERSON. You decline, as I understand you, then, to produce any of the papers in your possession relating to the steel corporation and to the Tennessee Coal & Iron Co. without explicit directions from the President to do so?

Mr. SMITH. Yes.

Senator CULBERSON. Does that include a refusal on your part to testify before this subcommittee with reference to the contents of those papers specifically?

Mr. SMITH. Yes; because I would consider that, of course, a substantial making public or giving to a person other than the President, without the President's direction, the information that I have collected or have as Commissioner of Corporations.

Senator CULBERSON. Do you decline to testify as to facts which may be inquired of by the committee which may not be included in those papers which you have submitted to the President respecting the steel corporation and the Tennessee Coal & Iron Co.?

Mr. SMITH. In so far as any of those facts are in my possession as Commissioner of Corporations, I do so decline.

Senator CULBERSON. Do you know anything personally with reference to the subject as distinguished from your official character?

Mr. SMITH. It would be very hard to separate that; I could not separate it.

The CHAIRMAN. In other words, whatever inquiry you have made, you have made as an official, and whatever information you have received, you have received as an official?

Mr. SMITH. Substantially so, Mr. Chairman.

(Thereupon, at 3.45 o'clock p. m., the subcommittee went into confidential session, and thereafter adjourned until 10.30 o'clock a. m., January 29, 1909.)

The following is the matter referred to by Mr. Herbert Knox Smith as constituting pages 29–34 of the Sixth Annual Report of the United States Steel Corporation:

ACQUISITION OF TENNESSEE COAL, IRON AND RAILROAD COMPANY PROPERTIES.

In and since November, 1907, the corporation acquired $30,374,825, par value, of the common stock and of common-stock subscription receipts of the Tennessee Coal, Iron & Railroad Co., being all but $220,160 of the total of said common stock and common-stock subscription receipts issued and outstanding at December 31, 1907.

Of the foregoing aggregate of $30,374,825, par value, of common stock and common-stock subscription receipts acquired, $29,742,170 of same were purchased at par, the corporation delivering in payment therefor its ten-sixty year 5 per cent sinking fund gold bonds, as the equivalent of cash, at the rate of $11,904.76, par value, of said bonds

for $10,000, par value, of Tennessee Coal, Iron & Railroad Co.'s common stock; the balance of $632,655 of said stock acquired was paid for in cash, being the installment of 20 per cent payable December 15, 1907, on the common stock subscription receipts. The total cost to the corporation of the stock acquired as above was as follows:

	Par value of T. C., I. & R. R. Co. common stock acquired.	Ten-sixty bonds at par delivered in payment thereof.	Par value of bonds issued, and cost of bonds purchased, for delivery per preceding; also amount of cash payment made.
For full-paid common-stock certificates	$29,109,515	$34,654,000	$33,949,282.48
For common-stock subscription receipts, 20 per cent paid	632,655	753,000	735,695.16
Total paid for with bonds	29,742,170	35,407,000	34,684,977.64
For 20 per cent installment paid December 15, 1907, on subscription receipts	632,655	.....	[1] 632,655.00
Total acquired and cost of the same	30,374,825	35,407,000	35,317,632.64

[1] Cash.

Of the ten-sixty year 5 per cent sinking fund gold bonds delivered as above, $30,000,000 thereof were bonds of this issue held in the corporation's treasury, which had been executed and certified in 1903, as authorized by the directors and stockholders. The balance of the bonds delivered for the purpose aforesaid was acquired by the corporation through purchase in the open market.

As appears from its books the outstanding stocks, bonded debt, and purchase-money obligations of the Tennessee Coal, Iron & Railroad Co., other than its common stock acquired by the United States Steel Corporation as above recited, are as follows:

Common stock	$220,160
Preferred stock (cumulative 8 per cent dividend)	124,500
Preferred stock of Alabama Steel & Shipbuilding Co. (6 per cent guaranteed dividend)	193,000
Various issues of secured bonds as listed in table on page 13, aggregating	14,226,000
Purchase-money obligations (secured by deposit of Birmingham Southern Railroad Co. stock as collateral)	826,386

The company also had outstanding at November 1, 1907, bills payable, originally issued for funds obtained for construction purposes, amounting to $1,634,311.88.

The properties of the Tennessee Coal, Iron & Railroad Co. and its subsidiary companies are located in the States of Alabama, Tennessee, and Georgia, and are briefly reported as follows:

Iron ore, coal, and limestone property.

	Acreage owned in fee.			
	Surface and mineral rights.	Mineral rights only.	Surface only.	Total acreage owned.
In the State of Alabama	165,096	170,152	5,015	340,263
In the State of Tennessee	98,842	6,898	.....	105,740
In the State of Georgia	1,053	367	.....	1,420
Total	264,991	177,417	5,015	447,423

The following developments and improvements have been made on the above properties, viz:

Iron-ore mines:

Red ore, on Red Mountain, near Birmingham, Ala.—

Muscoda group, 5 active and 1 inactive mines.
Fossil group, 4 active mines.
Ishkooda group, 2 actives mines and 2 under construction.
Green Springs, 1 active mine.
Potter, 1 mine under construction.

Iron-ore mines—Continued.

Brown ore—

At Greeley, Ala., 3 active mines.

At Bartow, Ga., 2 active mines.

Coal and coke properties at—	Coal mines (active).	Coke ovens.
Pratt mines, Ala.	10	1,080
Blocton, Ala.	3	467
Blue Creek, Ala.	4	200
Blossburg, Ala.	3	.....
Birmingham, Ala.	.....	251
Bessemer, Ala.	.....	716
Gamble mines, Ala.	1	.....
Henry Ellen, Ala.	1	.....
Whitwell, Tenn.	1	100
Victoria, Tenn.	.....	70
Total active coal mines and coke ovens	23	2,974

There is now being opened and under construction at Pratt mines 1 additional mine. At the coal mines the company has 11 coal-washing plants with a daily capacity of 10,000 net tons.

Stone quarries: Dolomite—At Ketona, Ala., 1 active quarry and 1 in course of development; limestone—at Calcis, Ala., 1 quarry (inactive at present); at Vanns, Ala., 1 quarry.

MANUFACTURING PROPERTIES.

Blast furnaces at—	No. of stacks.
Ensley, Ala.	6
Bessemer, Ala.	5
Oxmoor, Ala.	2
Birmingham, Ala.	1
South Pittsburg, Tenn.	2
	16

Ensley Steel Works, Ensley, Ala.—One hundred acres of mill property on which are located the six blast furnaces named above; also four 60-ton and four 50-ton basic O. H. steel furnaces; one 250-ton metal mixer; two 20-ton removable acid Bessemer converters; one 44-inch blooming mill; 1 rail mill; iron foundry; steel foundry; brass foundry; machine shop, and other auxiliary departments. These are now under construction 2 additional 60-ton basic O. H. steel furnaces.

Bessemer Rolling Mills, Bessemer, Ala.—Eleven acres of mill property on which are located one 72-inch plate mill and one 8-inch and one 16-inch merchant mill.

BIRMINGHAM SOUTHERN RAILROAD CO.

(Capital stock owned by the Tennessee Coal, Iron and Railroad Company.)

Terminal railroad connecting the various mines and plants of the Tennessee company in the Birmingham district with diverging trunk lines. The railroad company owns 31.16 miles of main and branch lines, 1 mile second track, and 67.78 miles of yard and siding tracks. Its equipment consists of 35 locomotives and 725 cars of various classes.

LAND COMPANIES.

The Tennessee Coal, Iron & Railroad Co. owns the entire issues of capital stocks of the Tennessee Land Co. and the Booker City Land Co.; also a controlling interest in the stock of the Ensley Land Co. These land companies own various tracts of land adjoining the several properties of the Tennessee Company.

During the year 1907 the production of the mineral and manufacturing properties of the Tennessee Company was as follows:

Iron ore	gross tons	1,576,757
Limestone and dolomite	do	244,059
Coal (not including that used in making coke)	net tons	1,709,251
Coke	do	1,170,826

Pig iron:		
For market	gross tons..	315,573
For conversion at steel works	do....	287,254
		602,827
O. H. steel ingots	do....	243,444
Steel rails	do....	146,171
Billets, plates, and bars	do....	88,009

The net profits of the Tennessee Coal, Iron & Railroad Co. for the year 1907, after charging off $437,666.84 for depreciation and extraordinary replacements, and $885,552.31 for net interest charge on bonded and floating debt, were $1,426,684.58.

Extensive outlays were made during the year for construction and improvement work. The total amount expended aggregated $6,589,116.99. The outlays covered additions and betterments as follows:

Land and real estate account	$71,936.41
Extensions and betterments at ore and coal properties	1,259,017.77
Improvements at Bessemer Rolling Mills	4,592.87
Additions, extensions, and betterments at Ensley furnaces, steel works, and rolling mills	5,253,569.94
Total	6,589,116.99

VOLUME OF BUSINESS.

The volume of business done by all companies during the year, as represented by their combined gross sales and earnings, equaled the sum of $757,014,767.68.

This amount represents the aggregate gross value of the commercial transactions conducted by the respective companies, and includes sales made between the subsidiary companies and the gross receipts of the transportation companies for services rendered both to subsidiary companies and to the public. The earnings for the year resulting from the above gross business represent the combined profits accruing to the several corporate interests on the respective sales and services rendered, each of which is in itself a complete commercial transaction.

The increase in the aggregate amount of business done by all companies in 1907 on the foregoing basis, as compared with the preceding year, was $60,257,876.67, divided as follows: Increase in sales value of products shipped to the public, $18,553,909.92; in sales value of products sold between subsidiary companies (including ore, coal, and coke), $37,372,606.09; and in the gross earnings of the transportation and miscellaneous companies, $4,331,360.66.

EMPLOYEES' SUBSCRIPTIONS TO PREFERRED STOCK.

In January, 1908, there was again offered to the employees of the United States Steel Corporation and of the subsidiary companies the privilege of subscribing for 25,000 shares of preferred stock on substantially the same conditions as offered previously, except the price was fixed at $87.50 per share. The offer was oversubscribed by about 100 per cent, applications having been received from 24,884 employees for an aggregate of 50,075 shares. Allotments were made as follows: Each subscriber for one share was allotted the same, and all others were allotted 50 per cent of their subscriptions. The total number of shares allotted on this basis was 30,621.

BALANCE SHEET, STATEMENTS OF ACCOUNTS AND STATISTICS.

The statements of accounts, statistics, etc., presented in this report comprehend, unless otherwise specifically stated, the combined results for the United States Steel Corporation and all of the subsidiary companies, including the Tennessee Coal, Iron and Railroad Company. In respect of this latter company, however, its operating results, wherever included in combined statements, cover only its operations since November 1, 1907, the date as of which the United States Steel Corporation acquired a majority interest in the stock of said company.

The condensed balance sheet, page 34, exhibits the combined assets and liabilities of the United States Steel Corporation and of the several subsidiary companies, based on the valuations at which the stocks of the subsidiary companies and the Carnegie Co. bonds were acquired by the steel corporation, but liabilities from one company to another are omitted from both liabilities and assets. This combined balance sheet for December 31, 1907, takes up under their respective headings the assets and

outstanding liabilities of the Tennessee Coal, Iron & Railroad Co., also the proportionate part of the assets and liabilities of the Hostetter-Connellsville Coke Co. applicable to the stock of that company which was not previously owned by steel corporation interests. The inclusion of these last-named assets and liabilities accounts for substantially all of the items of additions of $614,722.63 under the heading of "Property account." The increase of $738,410, as compared with December 31, 1906, in the outstanding stocks of subsidiary companies not held by United States Steel Corporation, is made up of $220,160 of common and $124,500 of preferred stock of Tennessee Coal, Iron & Railroad Co., $193,000 of preferred stock of Alabama Steel & Shipbuilding Co. (a subsidiary of the T. C., I. & R. R. Co.), and $203,750 of Hostetter-Connellsvile Coke Co. stock, total $741,410, less $3,000 of subsidiary companies' stocks outstanding at close of 1906 acquired during the year.

The accounts of the steel corporation and of the subsidiary companies for the year 1907 have been audited by Price, Waterhouse & Co., the chartered accountants selected for this purpose by the stockholders at the annual meeting, April 15, 1907. The certificate of the chartered accountants is printed in full on page 33.

GENERAL.

During the first 10 months in the year 1907 the several departments of the subsidiary companies were operated at substantially their maximum capacity. The production by the manufacturing properties of finished products for sale during the period from January 1 to November 1, 1907, showed an increase of 5 per cent over the corresponding period in 1906. Owing, however, to the sudden and severe check to general trade conditions which took place in the fall of 1907, the volume of business of the subsidiary companies was materially curtailed, resulting during the last two months of the year in a decrease in production of finished products which exceeded the gain made during the preceding 10 months. The production of finished steel products for sale in the entire year of 1907 shows a decrease compared with 1906 of 201,691 tons, or about 2 per cent. The decrease in actual shipments of products made to customers showed a somewhat larger falling off, 10,451,488 tons of all kinds of manufactured materials (including furnace products and scrap) having been shipped in 1907 against 10,862,425 tons in the preceding year. Prices of steel commodities for domestic sale were not generally advanced during the year, notwithstanding there were marked increases in the cost of raw materials and supplies used in manufacturing, in railroad freight charges, in wages, and in taxation charges.

The satisfactory results obtained from the export business, through the building up of a permanent and continuous export trade, as noted in previous reports, have continued. During the year there were shipped for export 1,014,082 tons of steel commodities of various kinds, a decrease of 6 per cent as compared with the shipments in the previous year. The gross receipts for the 1907 shipments, however, exceeded those for 1906 by 16 per cent. The average mill price per ton received for all exported materials was only 7½ per cent less than the average price received for all domestic shipments. The advantages to the employees, the domestic consumer, and the manufacturer, of a fair volume of foreign trade during periods of business depression in the United States, have been emphasized in previous reports. In order to obtain the maximum benefits from such trade during times of lesser activity in business in the domestic market, it seems wise to sell continuously in the neutral markets of the world and even at times when foreign trade conditions do not result in prices so near the domestic prices as were received during 1907.

In November, 1907, the corporation acquired a majority of the common stock of the Tennessee Coal, Iron & Railroad Co., as is set forth in detail on page 25 of this report. The purchase was made during the financial panic of October, 1907. The parties owning or controlling a majority of the Tennessee company's stock offered the same to the corporation on terms which were satisfactory both as to price and manner of payment. The purchase of the property promises benefit to the corporation and also aided promptly and materially in relieving the financial stress at the time existing. The Tennessee property is very valuable. Its mineral resources are large. The location of the iron ore and coal deposits in the immediate proximity of the manufacturing plants enables the production of iron at reasonable cost. It is believed the lines of business of the Tennessee company can be materially extended. During the last two years about $6,250,000 were expended in rehabilitating, modernizing, and enlarging the furnaces and steel plant. Additional expenditures of considerable magnitude in 1908 are contemplated to complete the plans for improvements which were under way when the corporation acquired the property. It is believed that when these improvements and extensions shall have been completed and the operating management perfected the business of the company will be profitable.

The expenditures by subsidiary companies during 1907 for additional property and construction, including the Tennessee company's expenditures for two months only, amounted to $66,981,252.46. Included in this total is $19,343,229.62 for account of the Gary plant in Indiana. The subsidiary companies also made during the year expenditures aggregating $20,324,584.90 for extraordinary replacements. In this report are found schedules showing the more important additions, improvements, and replacements comprehended by the above aggregate oulays. The foregoing expenditures, with the exception of $2,348,301.80 financed by issue of securities and purchase obligations, have been paid for from earnings and surplus income. The properties have been maintained at the highest state of efficiency, and through liberal outlays their production and earning power have been materially increased. At the close of the year a large amount of construction and improvement work was still in progress, being principally the uncompleted portion of the program for extensions and betterments authorized in the early part of 1907. The amount unexpended at January 1, 1908, for these purposes, including those for Tennessee Coal, Iron & Railroad Co., but exclusive of the requirements for the new work at Gary, Ind., referred to below, equaled approximately $40,000,000. It is estimated that about 85 per cent of this total amount can be expended in 1908.

Substantial progress was made during the year in the construction of the new plant at Gary, Ind., the building of the city of Gary, and in the terminal railroad work and facilities adjacent to the steel plant. The expenditures made in connection with the foregoing to December 31, 1907, including the cost of about 9,000 acres of land, amounted to $24,063,388.53. This amount has been provided entirely from surplus net profits of the corporation. At December 31, 1907, there was reserved in the special fund set aside and available for the foregoing construction work a balance of $26,051,-242.62. The balance unexpended at January 1, 1908, on appropriations heretofore authorized for this work was $35,517,000. It is believed about $18,000,000 of this amount can be expended during 1908. The following is a brief description at December 31, 1907, of the property and the status of the construction work at Gary.

THE SITE.

The property is located at the southern end of Lake Michigan, in Lake County, Ind., 25 miles from the business center of Chicago, Ill. The tract contains about 9,000 acres with about 10 miles frontage on the shore of Lake Michigan, and the area will ultimately be increased by filling the present submerged lands adjoining the Lake Michigan shore line. The property is located on, or immediately adjacent to, five trunk lines of railways.

THE MANUFACTURING PLANT.

The steel plant is being constructed on an area of 1,000 acres of the above property fronting on the lake. Ground was first broken in August, 1906. The plant construction authorized to date is as follows:

Eight 450-ton per day blast furnaces, with the necessary vessel slip, ore unloading and storing facilities, power houses, pig-casting plant, and other auxiliaries; fifty-six 60-ton open-hearth furnaces, estimated to produce 225,000 tons of ingots per month; rail mill, estimated to produce 100,000 tons of rails per month; billet mill, estimated to produce 100,000 tons of billets per month; 48-inch universal plate mill; 160-inch sheared plate mill; merchant mills, with a capacity of 50,000 tons per month; complete equipment of mechanical shops; office building.

The general plans adopted provide various departments in this plant which will permit increasing the number of blast furnaces to 16, and the steel producing and rolling capacity accordingly.

The progress made in the construction work to date is as follows:

The vessel slip, which is 250 feet wide and is to extend inland 3,000 feet and from the shore line into the lake 2,000 feet, has been excavated to approximately 2,500 feet inland; the two docks forming the sides of the slip extending into the lake are well under way, the piling and sheeting having been placed for nearly the entire distance.

The ore unloaders are erected complete, and the ore bridges and bins are in progress of erection.

The ironwork on four blast furnaces is nearing completion, and the foundations for the second four are ready to receive the ironwork.

The blowing engines for the first four furnaces, comprehending eight gas-driven and two steam-driven engines, are under process of erection. The foundations have been started for the blowing engines for the second four furnaces.

The electric-power plant, which is to furnish power for driving all of the mills in the plant, also for pumping water and for lighting the city of Gary, includes a power

house 969 feet long by 107 feet wide, one-half of which is now erected, together with the foundations for nine gas engines and two steam turbines. The foundations for the remainder of the building and machinery are well under way. There will be installed in this plant in all seventeen 3,000-horsepower gas-driven generators and two 2,500-horsepower steam-turbine-driven generators. It is believed this is the largest installation in one unit of gas engines that has ever been made.

In the steel-producing department one open-hearth unit, consisting of fourteen 60-ton furnaces, with hot-metal mixer and other auxiliaries, is nearing completion, and the foundations for the second similar unit are completed, and erection of the steelwork has been started.

On the rail mill the foundations and the building are nearing completion, and the erection of the machinery is well advanced.

On the billet mill a part of the excavation and foundation work has been completed. Seventy-five per cent of the machinery for this mill has been contracted for and is now being constructed.

For the plate mills and merchant mills the plans have been completed.

The shop equipment, including machine shop, boiler shop, foundry, blacksmith shop, carpenter and pattern shop, pattern storage shop, roll shop, and general store building, is practically completed and in operation.

The office building has been completed.

THE CITY OF GARY.

Approximately 800 acres of the property acquired, lying immediately south of the mill site and separated from it by the Grand Calumet River, has been platted into about 4,000 lots and incorporated as the first subdivision of the city of Gary. This subdivision will contain more than 25 miles of paved and macadamized streets. To date 25,250 linear feet of streets have been paved and 37,000 linear feet of sidewalks laid.

A sewer system, consisting of a discharge main 96 inches in diameter, with lateral branches 60 inches, 54 inches, and 36 inches, respectively, in diameter, has been installed, having a total length of 97,000 linear feet.

Ninety-one thousand linear feet of water pipe have been laid in the first subdivision and temporary pumps installed, which are now furnishing the water supply from driven wells. There is under construction a permanent waterworks pumping station, which contemplates the construction of a water tunnel 72 inches in diameter, 15,000 feet long, extending into the lake 7,000 feet from the present shore line.

A gas plant with a capacity of 300,000 cubic feet of water gas per day is completed and in operation. Seventy-one thousand linear feet of gas pipe have been laid in the first subdivision.

An electric lighting plant, furnishing both incandescent and arc lights, has been installed and is in operation, current being furnished temporarily from lines connecting with the Illinois Steel Co.'s electric generating plant at South Chicago.

Approximately 500 dwelling houses have been erected. Many of these houses are now occupied. In addition to the dwelling houses, the following public buildings have been erected and are now occupied: One hotel building containing 40 rooms, one restaurant, two lodging houses, schoolhouse containing 9 rooms.

All of the above development and construction work in the city of Gary has been carried on by the Gary Land Co., a subsidiary company of this corporation.

Residence and business lots have been offered for sale, with the requirement that buildings of an approved character be erected thereon within 18 months after purchase. Under this plan approximately 240 lots have been sold, largely in the business districts. On the principal business street in the first subdivision there have been constructed by purchasers of lots about 40 business blocks, the estimated cost of which is $600,000 or more. Most of these buildings have been completed and are now occupied by stores of various kinds, two banks, and offices.

TERMINAL RAILROAD WORK.

The main lines of the Baltimore & Ohio Railroad Co. and the Indiana Harbor Railroad Co. ran directly through the manufacturing mill site. In order to remove these lines of railroad from the mill site and to permit the construction of a sufficiently large and properly located railroad yard for use in connection with the steel plant, an agreement was entered into by the various railway companies concerned whereby the main lines of the Baltimore & Ohio Railroad Co. and the Indiana Harbor Railroad Co. were changed so as to run south of the mill site. This changing of the main lines of the companies named also involved a change in the main line of the Lake Shore & Michigan Southern Railway Co. and the construction of a new line of railway from a connection with the Indiana Harbor Railroad east of the mill site, south-

westerly and westerly, passing to the south of the city of Gary, to the town of Gibson, where a connection is again made with the Indiana Harbor Railroad.

A great deal of clearing, grading and filling, and track laying has been done in connection with the foregoing rearrangement and construction of railroad lines. Upon the completion of the work an adjustment of the expenditures is to be made between all of the companies interested.

Within the steel plant of the Indiana Steel Co. 41.6 miles of standard-gauge yard tracks have been laid. Outside of and adjacent to the steel plant to the westward the large railroad yard known as "Kirk yard" is under construction by a subsidiary company. In this work approximately 21 miles of tracks have already been laid and additional grading done to take care of necessary additional tracks for some time to come. At the eastern end of this yard substantial progress has been made in the construction of a large roundhouse, coal chutes, and power house.

There has been purchased a site containing about 1,580 acres (of which 300 acres are now submerged), located in St. Louis County, Minn., 10 miles from the center of the city of Duluth, on which it is proposed to construct a moderate-sized iron and steel plant. The tract fronts on the St. Louis River, which is navigable for large lake steamers, and is located on the line of the Northern Pacific Railway. It is expected, however, that there will be constructed in connection with the steel plant a belt railway extending northwardly therefrom to a connection with the Duluth, Missabe & Northern Railway to enable the prompt and economical delivery of ore to the plant from the Minnesota ore ranges; also eastwardly from the steel plant across the St. Louis River into Superior, Wis., where connections will be made with five trunk lines of railways reaching the head of Lake Superior from the south and west. It is proposed to have the plant constructed by the Minnesota Steel Co., a subsidiary corporation. The plans for the scope and construction of the steel plant have not yet been fully developed. The expenditures on account of this property during 1907 include the purchase of the real estate and some clearing and leveling of the site.

Reference was made in the last annual report to the proposal to establish from the employees' bonus fund for 1907 a separate fund to be used for pension purposes. Accordingly there was reserved for this purpose the sum of $1,000,000. The plan under which the benefits accruing from this pension fund will be extended to employees is under consideration.

During the first six months of 1907 orders for steel products were received equaling substantially the maximum capacity of the mills. Subsequently there was a marked falling off in the new business offered. As a result, the tonnage of unfilled orders on the books at December 31, 1907, was only 4,624,553 tons of all kinds of manufactured steel products. In common with other lines of industry, there was a material reduction in sales during the latter part of 1907. However, the bookings for January were 25 per cent better than December, and for February 25 per cent better than January. As this report goes to press the bookings per day are at least 25 per cent larger than those of February. The management express hopeful views of the future.

The board takes pleasure in acknowledging the loyal and efficient services of the officers and employees of the corporation and the several subsidiary companies.

By order of the board of directors:

ELBERT H. GARY, *Chairman.*
WILLIAM E. COREY, *President.*

CERTIFICATE OF CHARTERED ACCOUNTANTS.

NEW YORK, *March 7, 1908.*

To the stockholders of the United States Steel Corporation:

We have examined the books of the United States Steel Corporation and subsidiary companies for the year ending December 31, 1907, and certify that the balance sheet at that date and the relative income account are correctly prepared therefrom.

We have satisfied ourselves that during the year only actual additions and extensions have been charged to property account; that ample provision has been made for depreciation and extinguishment, and that the item of "deferred charges" represents expenditures reasonably and properly carried forward to operations of subsequent years.

We are satisfied that the valuations of the inventories of stocks on hand as certified by the responsible officials have been carefully and accurately made at approximate cost; also that the cost of material and labor on contracts in progress has been carefully ascertained.

Full provision has been made for bad and doubtful accounts receivable and for all ascertainable liabilities.

We have verified the cash and securities by actual inspection or by certificates from the depositories, and are of opinion that the marketable stocks and bonds included in current assets are worth the value at which they are stated in the balance sheet.

And we certify that in our opinion the balance sheet is properly drawn up so as to show the true financial position of the corporation and subsidiary companies on December 31, 1907, and that the relative income account is a fair and correct statement of the net earnings for the fiscal year ending at that date.

PRICE, WATERHOUSE & CO.

Income account for the fiscal year ended December 31, 1907 (including operating results of Tennessee Coal, Iron & Railroad Co. for months of November and December).

Total earnings of all properties after deducting expenditures for ordinary repairs and maintenance (approximately $35,000,000), employees' bonus and pension funds, and also interest on bonds and fixed charges of the subsidiary companies, per general profit and loss account, page 36			$160,964,673.72
Less appropriations for the following purposes, viz:			
Sinking funds on bonds of subsidiary companies		$1,977,761.03	
Depreciation and extinguishment funds (regular provisions for the year)		6,681,746.03	
Extraordinary replacement funds (regular provisions for the year)		15,560,237.38	
Special depreciation and replacement funds		3,500,000.00	
			27,719,744.44
Net earnings in the year 1907			133,244,929.28
Deduct:			
Interest on United States Steel Corporation bonds outstanding, viz:			
Fifty-year 5 per cent gold bonds		$14,341,018.37	
Ten-sixty year 5 per cent gold bonds		8,519,334.45	
Sinking funds on United States Steel Corporation bonds, viz:			
Annual installment on 50-year 5 per cent gold bonds		3,040,000.00	
Annual installment 10-60 year 5 per cent gold bonds		1,010,000.00	
Interest on above bonds in sinking funds		1,087,497.18	
			$27,997,850.00
Balance			105,247,079.28
Less, charged off for adjustments in sundry accounts			681,515.52
Balance			104,565,563.76
Dividends for the year 1907 on United States Steel Corporation stocks, viz:			
Preferred—			
No. 24, 1¾ per cent, paid May 31, 1907	$6,304,919.25		
No. 25, 1¾ per cent, paid August 30, 1907	6,304,919.25		
No. 26, 1¾ per cent, paid November 30, 1907	6,304,919.25		
No. 27, 1¾ per cent, paid February 29, 1908	6,304,919.25		
		$25,219,677.00	
Common—			
No. 14, ½ per cent, paid July 1, 1907	2,541,512.50		
No. 15, ½ per cent, paid September 30, 1907	2,541,512.50		
No. 16, ½ per cent, paid December 30, 1907	2,541,512.50		
No. 17, ½ per cent, payable March 30, 1908	2,541,512.50		
		10,166,050.00	
			35,385,727.00
Surplus net income for the year			69,179,836.76

Appropriated from surplus net income for the following purposes, viz:		
On account of expenditures made and to be made on authorized appropriations for additional property, new plants, and construction, and for discharge of capital obligations.....	$35,500,000.00	
Specifically set aside for authorized appropriations and expenditures account construction Gary (Ind.) plant.....	18,500,000.00	
		$54,000,000.00
Balance of surplus for the year.....		15,179,836.76
Balance of surplus on December 31, 1906.....		54,556,654.01
Balance surplus December 31, 1907, exclusive of capital surplus provided in organization, and of subsidiary companies' inter-company profits in inventories.....		69,736,490.77

We certify that in our opinion the above income account is a fair and correct statement of the earnings and income of the United States Steel Corporation and subsidiary companies for the fiscal year ending December 31, 1907.

PRICE, WATERHOUSE & Co.,
Auditors.

NEW YORK, *March 7, 1908.*

COMMITTEE ON THE JUDICIARY,
UNITED STATES SENATE,
Washington, D. C., January 29, 1909.

The subcommittee met at 10.30 o'clock a. m.

Present, Senators Clark (chairman), Dillingham, Kittredge, Culberson, and Overman.

Present also, Mr. Oakleigh Thorne and Mr. George W. Perkins.

The CHAIRMAN. Gentlemen, we have asked you to come here today to appear before this subcommittee of the Committee on the Judiciary, to which has been referred, with instructions, a resolution which was introduced in the Senate having reference to the Tennessee Coal, Iron & Railroad Co. and the United States Steel Corporation and their relations, the one to the other, and the absorption. It has been suggested that one or both of you can give the committee some valuable information. For that reason we have called you. Mr. Thorne, you will be sworn.

TESTIMONY OF OAKLEIGH THORNE.

OAKLEIGH THORNE, being duly sworn, testified as follows:

The CHAIRMAN. Senator Culberson, you made the suggestion that Mr. Thorne had some connection, directly or indirectly, with the matter of the merger or consolidation of these two corporations, and I will ask that you take the examination of Mr. Thorne principally in hand in order to get what information he has in regard to the matter.

Senator CULBERSON. I suggested, Mr. Chairman, that from the newspaper reports contemporaneously with this transaction, and subsequently, that I thought Mr. Thorne was in possession of certain information of value to the committee in this investigation. I had no other intimation at the time.

The CHAIRMAN. We so understood from your statement.

Senator CULBERSON. I will ask him some questions if it is the desire of the committee. Will you state your name, age, and residence, Mr. Thorne?

Mr. THORNE. My residence is Milbrook, Dutchess County, N. Y. My occupation is banking in New York City, president of the Trust Company of America.

Senator CULBERSON. In the fall of 1907 were you interested in banking in New York City?

Mr. THORNE. I was president of the Trust Co. of America.

Senator CULBERSON. Was it called then by the same name it is now?

Mr. THORNE. Yes, sir.

Senator CULBERSON. At that time, in the fall of 1907, particularly in the month of November, I will get you to state what interest, if any, the trust company of which you were president had in the securities of the Tennessee Coal, Iron & Railroad Co.

Mr. THORNE. The trust company had no interest in the stock of the Tennessee Coal & Iron Co. as owner, never having owned a share. It had, on November 1, 1907, $482,700 loaned to six individuals, holding the stock at 60 as collateral. That was the only interest.

Senator CULBERSON. What other security did the trust company have for the loans referred to?

Mr. THORNE. None.

Senator CULBERSON. Besides what you have mentioned?

Mr. THORNE. The names of the makers.

The CHAIRMAN. Senator, will you ask him if that was a joint obligation?

Senator CULBERSON. Was that a joint or several obligation of these six persons?

Mr. THORNE. No, sir; there was one obligation for $104,000, one for $52,000, one for $22,700, one for $52,000, another for $52,000, and one for $200,000. All of those loans were paid off during the month of November with the exception of two, of $52,000 each, which were paid off in January, 1908, and they were paid off as and when demanded.

Senator CULBERSON. Will you state what time in November the bulk of it was adjusted?

Mr. THORNE. The loan of $104,000 was paid on November 20. One loan of $52,000 was paid on November 14; one of $32,200 on the 18th; of one for $200,000, $102,000 was paid on the 8th, and $98,000 was paid on the 12th.

Senator CULBERSON. How did you regard the security for this loan so far as the individuals were concerned, without reference to the Tennessee stock?

Mr. THORNE. I considered them all good.

Senator CULBERSON. What is the capital stock of your company?

Mr. THORNE. Two million dollars capital, $6,000,000 surplus.

Senator OVERMAN. Do you understand that these notes were all good, notwithstanding the collateral?

Mr. THORNE. I believe they were. I believe the makers of those notes were all good.

Senator CULBERSON. Did your company interest itself in the absorption of the Tennessee company by the steel corporation at all?

Mr. THORNE. No, sir.

Senator CULBERSON. Did it have any connection with that whatever?

Mr. THORNE. No, sir.

Senator CULBERSON. It was so published at the time, was it not?

Mr. THORNE. I believe it was. On the 5th of November I gave out a statement which was published, stating that we had no interest in it.

The CHAIRMAN. Stating what?

Mr. THORNE. Stating that we had no interest in it except as loaners of money, and stating the amount we had loaned. That was published in the New York papers.

Senator OVERMAN. Was your statement made by reason of the fact that it had been stated that you did have connection with it?

Mr. THORNE. It was.

Senator CULBERSON. You have already stated that your company was not interested in this transfer and you had nothing to do with it. Now, I will ask you if this transfer of ownership of stock from one of these corporations to the other, from the Tennessee company to the steel association, was influenced in any way by yourself as president or by any other officers of the corporation of which you were president?

Mr. THORNE. No, sir.

Senator CULBERSON. I will ask you if you knew, as a matter of fact, anything of it until after it was effected?

Mr. THORNE. I did not know anything about it until after the negotiations had commenced, and I was advised that they were on and they hoped to put it through.

Senator CULBERSON. Did you suggest, as president of the corporation, such a negotiation as this?

Mr. THORNE. No, sir.

Senator CULBERSON. Mr. Thorne, I will ask you if you are acquainted with the firm of Moore & Schley?

Mr. THORNE. I am.

Senator CULBERSON. In what business is that firm engaged?

Mr. THORNE. They are brokers and bankers.

Senator CULBERSON. Have you, or had you then, knowledge of a syndicate which owned the controlling interest in the Tennessee Coal & Iron Co. in the fall of 1907?

Mr. THORNE. I had.

Senator CULBERSON. Were you a member of that syndicate yourself?

Mr. THORNE. I was.

Senator CULBERSON. What percentage of the stock of the company did this syndicate hold?

Mr. THORNE. I can't state to you accurately the percentage, for this reason: I took an interest in the syndicate, paid for my stock, and took it out of the syndicate, and therefore I was not familiar with the syndicate operations, never having received any statements from the syndicate of any kind. They held a large percentage, a large control, when we took our interest. That I knew.

Senator CULBERSON. In a general way, who composed this syndicate? If you can state any names, state them.

Mr. THORNE. Mr. Grant B. Schley and Mr. Charles Guthrie were the original syndicate managers. Mr. Guthrie died and Mr. Hanna was substituted as syndicate manager in his place. Therefore the syndicate managers were Mr. Hanna and Grant B. Schley, and all the dealings I had were with the syndicate managers, and not with Moore & Schley. I never had negotiations with Moore & Schley.

Senator CULBERSON. Where was the office of the managers?

Mr. THORNE. I met Mr. Schley in Moore & Schley's office. In his office in Moore & Schley's offices.

Senator CULBERSON. Were the managers partners?

Mr. THORNE. No, sir; and the checks given in payment for the stock were given to the syndicate managers, Grant B. Schley and Charles Guthrie, as syndicate managers.

Senator CULBERSON. What are the initials of Mr. Hanna to whom you refer, and where does he live?

Mr. THORNE. Mr. Leonard Hanna, in Cleveland.

Senator CULBERSON. You say that while you can not say how much of the stock of the Tennessee Coal & Iron Co. was owned by this syndicate, composed of the individuals to whom you have referred, you know they owned a majority of the stock of the Tennessee Coal & Iron Co.?

Mr. THORNE. Yes, sir.

Senator CULBERSON. You have already stated that neither your company nor yourself as president interested yourself in this or knew anything about it until after the absorption took place. I will ask you with reference to the particular loans of your company, whether the merger had any appreciable effect?

Mr. THORNE. No, sir.

Senator CULBERSON. I understand you to say, further, that you owned something like 1,200 shares of this stock which you had paid for?

Mr. THORNE. Personally I subscribed for 12,500 shares. I distributed and sold 7,500, and held 5,000.

Senator CULBERSON. Could you give some of the names of the persons interested in this syndicate besides those you have already named?

Mr. THORNE. Mr. Gates was interested; Mr. E. J. Berwin was interested; I think Mr. H. S. Black was interested. I am speaking of interested at the time the syndicate was made up. As to whether they transferred their securities between the time the syndicate was made, which was in the early part of November, 1905, and the date of the transfer to the United States Steel, I don't know.

Senator CULBERSON. Have you any personal knowledge of the actual purchase of a majority of the stock of this Tennessee company in November, 1907, during the panic?

Mr. THORNE. All I know is that I delivered my stock to J. P. Morgan & Co. and got a receipt for it.

The CHAIRMAN. Do you refer there to your individual stock?

Mr. THORNE. To my individual stock. The company never had any stock, Mr. Chairman.

The CHAIRMAN. I wanted to have you make the distinction between your individual stock and that which you were holding as collateral for your loans.

Mr. THORNE. The stock that we held as collateral for loans in each case was delivered to the party to whom the loan was made when the loan was paid off.

The CHAIRMAN. That is what I wanted to clear up in my own mind. You will pardon me, Senator Culberson.

Senator CULBERSON. Was this transfer to the steel company made to benefit you as a member of this syndicate, or did you, in fact, know anything about it until after it was over?

Mr. THORNE. I did not know anything about it.

Senator CULBERSON. You held 12,500 shares of the stock in the syndicate; and this negotiation was undertaken and consummated, you say, if I understand you correctly, without your knowing anything about it?

Mr. THORNE. Yes, sir; you are correct.

Senator OVERMAN. At the time of the merger were you and the trust company of which you were president financially embarrassed; and, if so, did the merger have a tendency to relieve the embarrassment?

Mr. THORNE. It had no direct bearing on either myself or the company, because I did not owe any money on my stock. The stock was locked up in my box, and the company only had these loans. It had, therefore, no direct bearing on either myself or the company; but, as it assisted the general situation, naturally it assisted our institution to that extent, and we participated in all the rest of it.

Senator OVERMAN. If the merger had not been made you would not have been embarrassed, or the institution of which you were president would not have been embarrassed?

Mr. THORNE. I did not catch that question.

Senator OVERMAN. If the merger had not been made, you or your institution would not have been affected in any way so as to embarrass you?

Mr. THORNE. No; I don't think it made any difference in that line.

Senator CULBERSON. You were proceeding awhile ago to say that you were advised that this deal had been consummated, and you took certain action then as a member of the syndicate. Who advised you of it?

Mr. THORNE. Not as a member of the syndicate, but as an owner of T. C. I. stock. Mr. Ledyard advised me first.

Senator CULBERSON. L. C. Ledyard, a lawyer?

Mr. THORNE. Yes, sir.

Senator CULBERSON. In what capacity was he acting?

Mr. THORNE. As an individual. I met him on the corner of Fifth Avenue and Thirty-eighth Street.

Senator CULBERSON. Was he the attorney of that syndicate, or do you know that?

Mr. THORNE. I don't know that.

Senator CULBERSON. He adviesd you that the deal had been consummated, and suggested that as an individual you could take advantage of it with your stock. Was that it?

Mr. THORNE. He told me that the deal had been consummated, and congratulated me as a stockholder upon it.

Senator CULBERSON. It was not obligatory, however, on you as a stockholder to accept the terms, was it?

Mr. THORNE. No, sir.

Senator CULBERSON. You therefore simply had the liberty of going in on the same basis as the others, as I understand it?

Mr. THORNE. That is correct.

Senator CULBERSON. Mr. Chairman, I do not believe I have anything further now to ask Mr. Thorne.

Senator KITTREDGE. What was the capitalization of the Tennessee Coal & Iron Co. on the 4th of November, 1907?

Mr. THORNE. I don't remember. Practically $30,000,000, I think.

Senator KITTREDGE. Was that represented by stock alone, or by stock and bonds?

Mr. THORNE. By stock alone. The original capital was $23,000,000 and it was increased.

Senator KITTREDGE. Were there any bonds outstanding against the company?

Mr. THORNE. Yes, sir.

Senator KITTREDGE. Do you remember the amount of those bonds?

Mr. THORNE. I do not.

Senator KITTREDGE. Do you know where they were held?

Mr. THORNE. I think they were pretty broadly distributed. I don't know where they were held.

Senator KITTREDGE. In this arrangement about which you testified, were any steps taken in regard to the payment of these funds or any part of them?

Mr. THORNE. Not that I know of.

Senator KITTREDGE. In speaking of the amount of stock which you were notified you might turn in, does that mean the 5,000 shares held by you, or the 12,500 shares which you originally agreed to take or take care of?

Mr. THORNE. Twelve thousand five hundred shares—the entire syndicate subscription.

Senator KITTREDGE. And that was turned in, as I understand?

Mr. THORNE. Yes, sir.

Senator KITTREDGE. Who is the secretary of the Tennessee Coal & Iron Co.?

Mr. THORNE. I don't know.

Senator KITTREDGE. Or the treasurer?

Mr. THORNE. I don't know.

Senator KITTREDGE. Do you know where the records of that company are?

Mr. THORNE. I think they are in Birmingham.

Senator KITTREDGE. Has that company a New York office?

Mr. THORNE. It did have in 1905.

Senator KITTREDGE. At the time this syndicate was formed?

Mr. THORNE. Yes, sir.

Senator KITTREDGE. Until what date have you personal knowledge of the office being continued in New York?

Mr. THORNE. Until the latter part of 1905 or the early part of 1906 the office was in the Hanover Bank Building.

Senator KITTREDGE. Since that time have you any knowledge of that office?

Mr. THORNE. I have not.

Senator KITTREDGE. Who was in charge of the office in 1906, if you know?

Mr. THORNE. I don't remember who was in charge.

Senator KITTREDGE. Who were the directors of the Tennessee Coal & Iron Co. in 1907?

Mr. THORNE. I don't know.

Senator KITTREDGE. At the time when you took stock or agreed to take stock?

Mr. THORNE. That was in 1905.

Senator KITTREDGE. Yes.

Mr. THORNE. The directors were Mr. Schley——

Senator KITTREDGE. Where is his address or his home?

Mr. THORNE. No. 80 Broadway, New York—Charles Guthrie, who has since died, John W. Gates, E. J. Berwin——

Senator KITTREDGE. What is his home address or his office address?

Mr. THORNE. In New York. I think it is at No. 1 Broadway. I think he is in the Washington Building—E. J. Berwin, Mr. Kessler, and Mr. Baker, who was the president of the corporation. I think his name was Baker.

Senator KITTREDGE. Have you personal knowledge where the records of the company were kept from 1905 on?

Mr. THORNE. I have not.

Senator KITTREDGE. Showing the capitalization of the company?

Mr. THORNE. I have not.

Senator KITTREDGE. The amount of bonds, the stockholders, and the directors?

Mr. THORNE. I don't know.

Senator KITTREDGE. Or any other information connected with the Tennessee Coal Co.? Have you any knowledge of where the records of the company were kept, showing those facts?

Mr. THORNE. I have not.

Senator KITTREDGE. In answer to Senator Culberson, you have stated that the syndicate, or Moore & Schley, held a large percentage of the stock. Just what do you mean by that statement?

Mr. THORNE. I mean that when the syndicate was organized it was organized for the purpose of acquiring more than the majority of the stock of the corporation; that in considering taking an interest in the syndicate, I considered it was the idea of being with the majority, and that the syndicate did acquire a majority of the stock.

Senator KITTREDGE. Was that the fact, inclusive or exclusive of the stock that you took or agreed to take?

Mr. THORNE. Inclusive; including the stock that I took.

Senator KITTREDGE. Had the syndicate a majority of the stock, if you know, in addition to the 12,500 shares that you took or agreed to take?

Mr. THORNE. It had such a large amount of stock that if you deducted 12,500 shares they still would have had the majority.

Senator KITTREDGE. That is what I am getting at. So that the syndicate controlled by Moore & Schley had a majority of the stock, exclusive of your interest and that of your friends in it?

Mr. THORNE. May I correct you, Senator? The syndicate was not controlled, so far as I know, by Moore & Schley. It was controlled by Grant B. Schley and Mr. Leonard Hanna, as syndicate managers. So far as I know, Moore & Schley as a firm did not subscribe to the syndicate. Grant B. Schley had an interest in the syndicate as an individual.

Senator KITTREDGE. That is what I had in mind. That is all.

Senator OVERMAN. Did this syndicate have any connection with the United States Steel Co.?

Mr. THORNE. No, sir.

Senator OVERMAN. Do you know why they were endeavoring to acquire a majority of the stock?

Mr. THORNE. Because they thought it was cheap.

Senator OVERMAN. With no purpose of a merger?

Mr. THORNE. No, sir.

Senator OVERMAN. At that time?

Mr. THORNE. No, sir.

Senator CULBERSON. I will ask one or two other questions, Mr. Thorne. When this syndicate was formed, what was the market or selling value of the Tennessee company stock?

Mr. THORNE. The syndicate price was $110 a share. Its market price was about 95, and it went up to 128.

Senator CULBERSON. When?

Mr. THORNE. During the formation of the syndicate. Immediately after the syndicate had acquired it, it went up above 125.

Senator CULBERSON. Did that fact become known in the commercial world—the acquiring of the majority of the stock by the syndicate?

Mr. THORNE. Yes, sir.

Senator CULBERSON. And that had a tendency to advance it?

Mr. THORNE. That had a tendency to advance it.

Senator CULBERSON. Was the stock paying a dividend?

Mr. THORNE. It was.

Senator CULBERSON. How much?

Mr. THORNE. Four per cent per annum.

Senator CULBERSON. What was the purpose of the purchase by the syndicate of this stock, generally speaking? Was it simply for dividend purposes, a mere matter of investment, or for speculative purposes?

Mr. THORNE. It was for the purpose of developing the property and increasing the dividends.

Senator CULBERSON. What is the value of the stock now, compared to what it was when it was absorbed?

Mr. THORNE. I don't think there is any quoted price for the stock now.

Senator CULBERSON. It is merged into that of the steel corporation?

Mr. THORNE. Do I understand that your question is as to what is the value of the steel securities we received in the merger as compared with the price that we paid?

Senator CULBERSON. Yes; that is the effect of it.

Mr. THORNE. Eliminating the question of interest, for what we paid 110 for we would receive 121 at to-day's market price.

Senator CULBERSON. What did you actually receive?

Mr. THORNE. We received United States Steel fives, on the basis of 119, I think, par value, of United States Steel bonds for each share of Tennessee Coal and Iron stock. Of course those exact figures can be easily determined.

Senator CULBERSON. What were those bonds worth in the market?

Mr. THORNE. To-day?

Senator CULBERSON. No; then.

Mr. THORNE. Eighty to 84.

Senator CULBERSON. Were you present at any time during the panic and pending this negotiation, in the office of J. P. Morgan & Co. with reference to this matter?

Mr. THORNE. I was not.

Senator CULBERSON. You were not in the library at that time?

Mr. THORNE. I was in the library, but I was not present at any conference where the T. C. I matter was discussed.

Senator CULBERSON. You have no personal knowledge, Mr. Thorne?

Mr. THORNE. I have not.

Senator CULBERSON. Have you any personal knowledge as to whom the syndicate represented by Mr. Hanna and Mr. Schley transferred this stock to—the immediate transferee?

Mr. THORNE. No; I have not.

Senator CULBERSON. Whom did you deliver yours to?

Mr. THORNE. I delivered the certificates to J. P. Morgan & Co. and got their receipt, which set forth that they would deliver United States Steel bonds as soon as they could put through the physical work of handling them and distributing them.

Senator CULBERSON. They were managers of the Steel Corporation, were they not?

Mr. THORNE. Not that I know of.

Senator CULBERSON. Do they not issue circulars and represent themselves to be managers of the Steel Corporation, or did they not at one time?

Mr. THORNE. Not that I know of.

Senator CULBERSON. At all events, you have stated that you had no personal interview with any member of the firm of J. P. Morgan & Co. with reference to this matter?

Mr. THORNE. Not until after it was closed.

Senator CULBERSON. How long afterwards?

Mr. THORNE. I think the next day.

Senator CULBERSON. With whom did you confer?

Mr. THORNE. With Mr. Perkins.

Senator CULBERSON. Whom did he represent?

Mr. THORNE. I don't know who he represented.

Senator CULBERSON. He is a member of the firm of J. P. Morgan & Co., is he not?

Mr. THORNE. He is.

Senator CULBERSON. And they acted with you and with reference to your stock, so far as the transfer was concerned, of the steel bonds?

Mr. THORNE. They did.

Senator CULBERSON. Do you know whether they were acting as bankers or as managers of the Steel Corporation?

Mr. THORNE. I don't know.

Senator OVERMAN. Were you also interested in the United States Steel Co. at the time of the merger?

Mr. THORNE. No, sir.

Senator OVERMAN. Your company, of which you were president?

Mr. THORNE. No, sir.

The CHAIRMAN. Mr. Thorne, you stated that at the time you surrendered your Tennessee Coal stock for United States Steel fives, you received in exchange bonds worth from 82 to 84. Do you know what those securities are worth now?

Mr. THORNE. Between 102 and 103.

The CHAIRMAN. There has been a slight advance?

Mr. THORNE. A good advance.

The CHAIRMAN. You further stated, if I remember right, that you were unable to give the capitalization of the Tennessee Coal Co. at the time this syndicate was formed?

Mr. THORNE. I did.

The CHAIRMAN. But your general knowledge is that the syndicate intended to, and as a matter of fact did, secure the majority interest in the stock of that corporation?

Mr. THORNE. That is correct.

The CHAIRMAN. And the interest which you held at the time of the transfer individually was 5,000 shares, with an additional 7,500 shares, which you had subscribed, which had passed into other hands?

Mr. THORNE. Yes, sir.

The CHAIRMAN. And that at that time your financial institution, as an institution, was not the owner of any of the stock of the Tennessee corporation?

Mr. THORNE. And never had been.

TESTIMONY OF MR. GEORGE W. PERKINS.

GEORGE W. PERKINS, being duly sworn, testified as follows:

The CHAIRMAN. Mr. Perkins, from my statement made to Mr. Thorne, you understand the matter upon which you have been asked to appear before the committee. The desire of the committee is, first, in a general way to ascertain if you have any knowledge, personal or otherwise, in regard to the merger of the Tennessee Coal, Iron & Railroad Co. and the United States Steel Corporation. We would like, if you have any information, to have you furnish that to the committee, either generally or in detail. I have personally no particular point to which I wish to direct your attention. Other members of the committee may have.

Mr. PERKINS. I will be very pleased, Mr. Chairman, to give any information that I can.

Senator CULBERSON. Mr. Chairman, I would like, of course, if Mr. Perkins does not cover the subject in any general statement he might make, to ask him some questions. At this place, however, I would like to know of the committee whether the Sixth Annual Report of the United States Steel Corporation will be regarded as testimony. If it is so regarded, and if pages 25 to 34, inclusive, are in evidence from the Commissioner of Corporations, there are some important matters there. For instance, the actual fact of merger, acquisition, is stated by the corporation itself. That is in the annual report of Judge Gary. If the commissioner regarded that as his testimony, it will be unnecessary to draw out from Mr. Perkins what is covered by that report.

The CHAIRMAN. I do not know what the committee thinks. Personally I should consider it the very best sort of testimony as to that merger, it having been furnished to us by the Bureau of Corporations, and in turn furnished to them by the United States Steel Corporation itself, as appears by the record.

Senator CULBERSON. It so occurred to me, but I wanted to know the view of the committee about it.

The CHAIRMAN. But I do not know that there is any reason why the additional light that Mr. Perkins has should not be drawn out.

Senator CULBERSON. Certainly not.

Senator KITTREDGE. I think it is clearly in evidence.

Senator CULBERSON. Mr. Perkins, I will ask you some questions if nobody else will.

The CHAIRMAN. I have in fact no particular point in my mind to which I wish to direct the attention of either Mr. Thorne or Mr. Perkins.

Senator OVERMAN. I think your question, if Mr. Perkins knows anything about it, asking him to go on and make a general statement of what he knows in his own way, might be answered, and then if we desire to ask any questions we may do it. We may not want to ask any questions.

Senator CULBERSON. That is satisfactory to me, Mr. Chairman.

The CHAIRMAN. Mr. Perkins, I will ask if you have any knowledge, personal or otherwise, bearing upon the facts of the merger or the consolidation of the United States Steel Corporation with the Tennessee Coal, Iron & Railroad Co., and if in my question I do not accurately name those corporations by their corporate names I want you to consider it as if I had. If so, will you give that information to the committee?

Mr. PERKINS. Of course, Mr. Chairman, you know that I am not a lawyer.

The CHAIRMAN. You are to be congratulated.

Mr. PERKINS. And I don't know whether the transaction that you are looking into should be admitted to be a merger, or if that is the proper way to refer to it.

The CHAIRMAN. You can use whatever term you choose.

Mr. PERKINS. I don't want to either affirm or deny that.

The CHAIRMAN. I did not seek to use the word "merger" in a technical or legal sense.

Mr. PERKINS. I appreciate that. I had general knowledge of the transaction at the time it occurred. May I ask a question now to see if I can help this along?

The CHAIRMAN. Yes.

Mr. PERKINS. Is it the object of the committee to find out technically about this transfer or what occasioned it? I don't quite understand what the inquiry is leading to.

The CHAIRMAN. The purpose of the committee, as I understand it, is to obtain all the information we can upon all lines as to the facts of the merger.

Senator DILLINGHAM. Both the phases mentioned by the witness.

Mr. PERKINS. You mean as to why it was done and how it was done?

Senator DILLINGHAM. That is what I understood the chairman to mean by his question.

Mr. PERKINS. Exactly. Yes, sir; I had general information as to the causes that led up to it and the conferences that were held in connection with its consummation.

The CHAIRMAN. Now, we would be glad if you would go ahead and in your evidence give your recollection of those causes and circumstances in as much detail as you see fit.

Mr. PERKINS. Of course I have no knowledge as to this inquiry except as I have gained it from the newspapers, so you will have to pardon me for giving it in the best language I can, as I am doing it in an impromptu sort of way.

The question of the acquisition of the Tennessee Coal & Iron Co. by the steel corporation was never brought up or broached in any way, so far as my knowledge goes, until perhaps the second or third acute stage of the panic developed in New York, and then it came up very suddenly because of the panic and very serious disturbance that existed in New York, as the result of the great depression in the market value of things and the unmarketability of a great many securities. The general feeling was in New York—it would be difficult, I think, for anyone to express it in any concrete sentence or statement—that if the Tennessee Coal and Iron stocks, which were in various loans, were taken out of those loans in some way, it would prevent a great many failures and avert a further spread of the panic. Of course at that time most everyone in New York was using all their resources in every direction to allay the panic; and some one—I don't know that I know who—made a suggestion that the steel corporation was the one that might take these particular securities and relieve that part of the situation. I remember it was discussed as to whether cash could be provided or whether it could not, and how it might be done. Finally someone made the suggestion, which afterwards worked out, that the corporation might furnish its 5 per cent second-mortgage bonds——

The CHAIRMAN. That is, the United States Steel Corporation?

Mr. PERKINS. Yes; the United States Steel Corporation—in lieu of cash, and in this way put in lieu of these loans securities that were marketable, that had some actual value on the exchange. In that form, in a general way, the transaction was carried out, solely to prevent the further spread of the panic and, if possible, to check the panic as it existed then. There was a great deal of reluctance on the part of the steel corporation to take the property. They felt that the price was very high and that there might be a great deal of criticism as to their right to take it. The matter was one of very deep concern to everyone on the finance committee of the steel corporation. The steel corporation's interests, of course, in the welfare of the country at large were very vast, and that argument was used as one that should have weight in governing our action in the matter.

The causes that led up to this condition in the matter of the Tennessee Coal and Iron stocks that were in separate loans it would be very difficult to give, as it was the result of the panicky conditions. Whether the stock had a real intrinsic value of $1 or $1,000 I don't believe ever entered into it. It was a part of the hysteria that existed at the time, and this particular situation was hit upon and made much of, and was bringing on a very serious crisis.

As I remember, this was at the end of a week, on Friday or Saturday, and I think this particular phase of the panic culminated on Saturday. I remember very well that on Sunday there was very great apprehension as to what would happen on Monday. On Monday morning the prices of our securities came much lower from London, and we were very greatly disturbed. It was that Sunday night that Judge Gary and Mr. Frick came over here.

Senator CULBERSON. Judge who?

Mr. PERKINS. Judge Gary, the chairman of the steel corporation, and Mr. Frick came over here to see the President, and practically everything was at a standstill until we got the word from them of

what seemed to be the feeling here. That was telephoned to me by Judge Gary about 10 o'clock—about the time the market opened. The news that this transaction would probably be made was given out and had an instantaneous effect for the better on the market and, I have always believed, stopped the panic. At any rate, from that time forth matters righted themselves and we were met with no further serious depressions.

There had never been any intention whatsoever on the part of the steel corporation of acquiring the Tennessee Coal & Iron Co. My recollection is that once or twice in the four or five years preceding the panic some one had suggested to the corporation that it might acquire the Tennessee Coal & Iron Co.; but these suggestions were never favorably entertained. The transaction was carried out with but one purpose in view, namely, to allay the panicky condition that existed at that time.

The CHAIRMAN. Mr. Perkins, do you know, or did you know at the time, of the amount of the stock of the Tennessee company that was in New York as collateral for loans?

Mr. PERKINS. No, sir.

The CHAIRMAN. That, you say, so disturbed the market?

Mr. PERKINS. No, sir.

The CHAIRMAN. Do you know what proportion of the stock of the Tennessee Coal & Iron Co. was absorbed by the United States Steel Co. at that time?

Mr. PERKINS. No, sir; it was a very large percentage.

The CHAIRMAN. More than a majority?

Mr. PERKINS. That is my recollection.

The CHAIRMAN. Do you know what relative proportion of the total output going into the commerce of the country and in its lines was then being produced by the United States Steel Corporation?

Mr. PERKINS. You mean what percentage, say, of 100 per cent of the total output?

The CHAIRMAN. Yes.

Mr. PERKINS. No, sir; but my belief is that it was a smaller percentage of the total than the percentage that existed at the time the steel corporation was organized.

The CHAIRMAN. You think, then, relatively, the independent producers at that time had increased their output?

Mr. PERKINS. That is my impression.

The CHAIRMAN. Do you know what effect the absorption of the Tennessee Coal, Iron & Railroad Co. had at that time as to the relative total product?

Mr. PERKINS. No, sir.

The CHAIRMAN. I understand you to say that the steel bonds were exchanged for the stock of the Tennessee Company and relieved the situation from the fact that the stock was not readily convertible into cash and that the bonds might be. Was that the situation?

Mr. PERKINS. Yes, sir; and that the bonds were looked upon—you see we were in a panic. The only word you can use to describe a panic, I suppose, is a panic—to say it was a panicky condition. Whether or not the steel bonds were intrinsically any better than the Tennessee Coal and Iron stock was not so much the question as it was that the public thought they were.

The CHAIRMAN. And were more easily converted under those circumstances into cash. Is that your idea?

Mr. PERKINS. Well, they were believed in. This question was a question of lost confidence.

The CHAIRMAN. I believe I have no other questions to ask.

Senator CULBERSON. Mr. Perkins, I will ask you if it is not a fact that by this transaction the steel corporation secured all of the stock of the Tennessee company except about $220,000.

Mr. PERKINS. I don't know the exact figures.

Senator CULBERSON. I will ask you if it is not a further fact——

Senator OVERMAN. You say you do not know the exact figures. Do you know about?

Mr. PERKINS. No, sir; I don't know about it. I know it was very large.

Senator OVERMAN. Can you approximate it?

Mr. PERKINS. I should say a very large majority. That never came to my attention.

Senator CULBERSON. I will ask you if it is not a further fact that the only cash passed in that transaction was about $625,000.

Mr. PERKINS. I am unable to answer that question.

Senator CULBERSON. Is it not a further fact that even the $625,000 cash was not paid by the company until December 31?

Mr. PERKINS. I can not answer that question.

Senator CULBERSON. Have you read the sixth annual report?

Mr. PERKINS. I read it at the time of its publication.

Senator CULBERSON. Did you have anything to do with making it?

Mr. PERKINS. No, sir.

Senator CULBERSON. What relation do you hold to the corporation?

Mr. PERKINS. I am a member of its finance committee.

Senator CULBERSON. You were chairman of it formerly?

Mr. PERKINS. Formerly; yes, sir.

Senator CULBERSON. You said some one suggested this deal. Who first suggested it?

Mr. PERKINS. I really don't know.

Senator KITTREDGE. Where was it first suggested?

Mr. PERKINS. I don't know as to that.

Senator CULBERSON. Was the Secretary of the Treasury present at any conference when that was discussed in New York?

Mr. PERKINS. Not to my knowledge.

Senator CULBERSON. Mr. Perkins, you have made a general statement about these securities, held variously around New York. Is it not a fact that one firm held a majority at that time?

Mr. PERKINS. I don't know as to that. You mean the majority of these particular securities?

Senator CULBERSON. These Tennessee Coal and Iron securities; that they were held by a firm, a very responsible firm, in New York. You have said it was held variously.

Mr. PERKINS. Yes, sir.

Senator CULBERSON. I say is it not a fact that a majority of it was held by one firm?

Mr. PERKINS. I don't know as to that.

Senator CULBERSON. Was not that statement made to the President?

Mr. PERKINS. I don't know.

Senator CULBERSON. I will read you an extract from a letter of the President to the Attorney General, the day the conference occurred, November 4, 1907:

They state that there is a certain business firm, the name of which I have not been told, but which is of real importance in New York business circles, that will undoubtedly fail this week if help is not given. Among its assets are a majority of the securities of the Tennessee Coal Co.

Now, what I want to know is what firm that was. Is it true that a business firm in New York held a majority of this stock as its assets?

Mr. PERKINS. To my personal knowledge, I can not answer as to whether any one firm held a majority, but from a general recollection of the situation serious embarrassment was threatened to—I don't like to use the word "firm," but to an institution in New York.

Senator CULBERSON. Was it a corporation?

Mr. PERKINS. Now, do you want me to answer that? I want to do whatever I ought to do.

The CHAIRMAN. I should say, Mr. Perkins, that the committee would be entitled to your answer to a general question of that sort. I do not believe the committee would indicate that you ought in any way to make an answer that casts discredit upon any particular institution, either at that time or now, but I do not see how Senator Culberson's question as to whether it was a corporation or a firm would indicate any particular firm or corporation.

Mr. PERKINS. Except that it narrows it.

The CHAIRMAN. That would be my view of the question.

Senator CULBERSON. You were acting in this matter as a member of the finance committee of the Steel Corporation?

Mr. PERKINS. Yes, sir.

Senator CULBERSON. You do not state that any business firm in New York held the majority of this stock?

Mr. PERKINS. Not from present recollection.

Senator CULBERSON. You indicated a while ago that a certain "institution" would have been embarrassed?

Mr. PERKINS. Yes, sir.

Senator CULBERSON. Do you mean by "institution" a corporation, State or Federal, or a business association or firm?

Mr. PERKINS. Now, you are sure you want me to answer that absolutely?

Senator CULBERSON. I do, yes; or I would not have asked it.

Mr. PERKINS. Very good, then. I will say an association of individuals.

Senator CULBERSON. I will ask you if you do not mean that there was a syndicate of individuals who at that time had bought up this stock, and that they were the ones who would have been embarrassed?

Mr. PERKINS. I don't quite understand what you mean by that, Senator.

Senator CULBERSON. I will put it this way. You said awhile ago, as I understood you, that an association of individuals is what you refer to.

Mr. PERKINS. Well, perhaps that is an unfortunate word.

Senator CULBERSON. I will repeat the question.

The question was read, as follows:

I will ask you if you do not mean that there was a syndicate of individuals who at that time had bought up this stock, and that they were the ones who would have been embarrassed?

Mr. PERKINS. I mean there was a business concern in New York which, because of its ramifications, it was believed would have caused serious and general embarrassment.

Senator OVERMAN. He asks you if this firm did not hold a majority of the stock. I do not think the answer is responsive unless you answer that.

Mr. PERKINS. I can not answer that without data or anything before me. I can not answer it from my recollection.

Senator CULBERSON. What do you mean by a concern?

Mr. PERKINS. It was not a corporation.

Senator CULBERSON. Was it a voluntary association of individuals?

Mr. PERKINS. No; so far as I understand it.

Senator CULBERSON. Was it a partnership?

(Pending the answer to the last question, the subcommittee, at 12 o'clock m., took a recess until 2 o'clock p. m.)

AFTER RECESS.

The subcommittee reassembled at the expiration of the recess.

TESTIMONY OF GEORGE W. PERKINS (RESUMED).

Senator CULBERSON. At the close of the morning inquiry, I was asking Mr. Perkins with reference to who it was that, as holders of the stock of the Tennessee Coal, Iron & Railroad Co., was embarrassed when this absorption took place. In the latter part of the examination the following occurred:

Senator CULBERSON. What do you mean by concern?
Mr. PERKINS. It was not a corporation.
Senator CULBERSON. Was it a voluntary association of individuals?
Mr. PERKINS. No; so far as I understand it.
Senator CULBERSON. Was it a partnership?

I would be glad to have Mr. Perkins answer whether the holders of these securities at the time named were a partnership. I do not ask him to state at this time what the name was, but I ask him if it was a partnership.

Mr. PERKINS. I believe I ought to ask, if I may, the chairman to instruct me to answer that, for my own protection in the future.

The CHAIRMAN. I think it is a very proper question for you to answer, Mr. Perkins.

Mr. PERKINS. It was.

Senator CULBERSON. Was the holding by this partnership to which you have referred absolute in the partnership?

Mr. PERKINS. I don't know.

Senator CULBERSON. I will ask you whether the partnership was acting for a number of persons, or acting simply for itself?

Mr. PERKINS. I have no personal knowledge as to that.

Senator CULBERSON. The chairman, in his statement at the opening, said that the committee desired whatever information was within your personal possession, or otherwise.

The CHAIRMAN. The chairman will have to state at this time in the record that the statement then made by him was more of a formal statement than requiring the witness to give all the information in

his possession. I thought perhaps there might be some documentary evidence containing facts, of which he was personally cognizant.

Senator CULBERSON. You knew about this partnership holding these securities?

Mr. PERKINS. In a general way; yes, sir.

Senator CULBERSON. Did you examine these securities?

Mr. PERKINS. No, sir.

Senator CULBERSON. You were told what securities they were? I do not mean the number of the certificates evidencing the stock, but you knew what the character of the holding was, whether it was Tennessee Coal and Iron stock?

Mr. PERKINS. In a general way.

Senator OVERMAN. Did you have anything to do with engineering the deal between the two companies?

Mr. PERKINS. The details of the transaction?

Senator OVERMAN. Bringing about the merger. We will call it a merger as a common name, not legally.

Mr. PERKINS. Exactly. No, sir; I did not.

Senator CULBERSON. Who had that in charge?

Mr. PERKINS. Judge Gary.

Senator CULBERSON. As a member of the finance committee, you were consulted and agreed to it?

Mr. PERKINS. Oh, yes, sir.

Senator CULBERSON. What I want, Mr. Perkins, is information as to how this partnership held these securities.

Mr. PERKINS. I don't know.

Senator CULBERSON. The statement has been made to the President, which I read to you this morning, that they were held as assets of the firm. I want to know about that.

Mr. PERKINS. Well, if you ask the question, I will answer it, if I can.

Senator CULBERSON. I intended to ask it, and I think I did. Were these securities held by this partnership as assets belonging to them?

Mr. PERKINS. I don't know.

Senator CULBERSON. How did they hold them?

Mr. PERKINS. I was not a member of that partnership. I don't know.

Senator CULBERSON. Did you consult with either member of this partnership about it?

Mr. PERKINS. Not on that point.

Senator CULBERSON. What did they tell you their relationship to the securities was?

Mr. PERKINS. That they were held in a good many loans.

Senator CULBERSON. Did they make the loans?

Mr. PERKINS. I have no personal knowledge about that.

Senator CULBERSON. What did this member of the firm say to you about that?

Mr. PERKINS. That these securities were held in loans that they had made.

Senator CULBERSON. That this firm had made?

Mr. PERKINS. That this partnership had made. That is what we are calling it.

Senator CULBERSON. Is that partnership a money-loaning business firm?

Mr. PERKINS. Do you mean whether they loan money themselves or not?

Senator CULBERSON. Yes.

Mr. PERKINS. I don't know.

Senator CULBERSON. Don't you know their general business?

Mr. PERKINS. Yes, sir.

Senator CULBERSON. Is it a money-loaning institution or association?

Mr. PERKINS. It may or may not be. I don't know as to that part of their business, whether they loan money or not.

Senator CULBERSON. Mr. Perkins, I will ask you this question, whether this firm did not, as a matter of fact, hold these securities, either in part or in whole for other people, and if loans had not been made on these securities to several banks in New York?

Mr. PERKINS. Made by whom on these securities?

Senator CULBERSON. Loans made by several banks, I said.

Mr. PERKINS. Made by various banks on these securities?

Senator CULBERSON. Yes.

Mr. PERKINS. That is my understanding; yes, sir.

Senator CULBERSON. Then the partnership did not make the loans?

Mr. PERKINS. I don't see how the partnership could have made the loans and the banks could have made them, too.

Senator CULBERSON. That is what bothered me. I wanted to clear it up.

Mr. PERKINS. Well, I don't know.

Senator CULBERSON. I may have misunderstood you, but I understood you to say that the partnership made the loans.

Mr. PERKINS. My understanding was that this partnership had loans with various institutions in which these securities were utilized as part of the collateral for such loans.

Senator OVERMAN. How much collateral had been pledged for loans?

Mr. PERKINS. I have no idea.

The CHAIRMAN. Let me see if I get Mr. Perkins's understanding. His understanding is that this firm or partnership, holding securities, had obtained loans from various banks. Is that it?

Mr. PERKINS. Yes, sir; that is it.

Senator CULBERSON. For themselves?

Mr. PERKINS. Yes; for themselves.

Senator CULBERSON. I understand you, then, to say that this partnership had borrowed money from various banks in New York City, and had given these debentures or certificates of stock as security for themselves?

Mr. PERKINS. Senator, if what you are trying to get at is whether——

Senator CULBERSON. Mr. Perkins, I have nothing in the world to get at except the facts.

The CHAIRMAN. Senator Culberson, I respectfully submit that I think Mr. Perkins has the right to get a correct understanding of the question.

Senator CULBERSON. I submit, Mr. Chairman, that Mr. Perkins is taking care of himself very well, and I have no disposition to put him at any disadvantage, if I could. I simply ask him to state the facts. Let me ask the question again. Do you mean to say that this part-

nership made loans to different banks in the city of New York for themselves, giving these certificates of stock of the Tennessee Coal & Iron Co. as security?

Mr. PERKINS. I don't know whether they made loans to any banks or not.

Senator CULBERSON. I did not mean to ask you if they had made loans. I meant to ask you if they, themselves, had borrowed money from banks for themselves, and had given as security these certificates of stock?

Mr. PERKINS. It is impossible for me, Senator Culberson, to enter into a discussion as to what they technically did in their own partnership. Of course I have no knowledge whatever of that. I was not a member of the partnership, don't you see, and I knew nothing about the technical——

Senator CULBERSON. You had a conversation with one of them?

Mr. PERKINS. Yes, sir.

Senator CULBERSON. What did he tell you about it?

Mr. PERKINS. That these stocks were in a great many loans in financial institutions in and about New York.

Senator KITTREDGE. Made by this firm or by others?

Mr. PERKINS. As I say, it is impossible for me to give you the technical manner of the loans. I was not a member of the partnership, and I am not competent to testify about that.

Senator CULBERSON. Mr. Perkins, I will ask you now if it was not under understanding that this partnership was acting either in whole or in part for other people, and that these certificates of stock of the Tennessee Coal & Iron Co. had been deposited in a number of banks in New York as security for loans obtained in whole or in part for these persons on whose account this partnership held the securities?

Mr. PERKINS. That I don't know.

Senator CULBERSON. Would you be willing to state to the committee that this firm held these securities in their own right?

Mr. PERKINS. I would not.

Senator CULBERSON. They amounted to how much, in round numbers?

Mr. PERKINS. I don't know.

Senator CULBERSON. The majority of the stock of the Tennessee Coal & Iron Co.?

Mr. PERKINS. I really don't know as to that.

Senator CULBERSON. The whole capitalization was about $30,000,000, was it not?

Mr. PERKINS. Well, I don't know. Mr. Thorne has just remarked it was about thirty million.

Senator CULBERSON. The majority would be something over $15,000,000, at 80 cents on the dollar.

Senator OVERMAN. You know how much stock the United States Steel Co. acquired, don't you?

Mr. PERKINS. In a general way. They acquired a very large majority of all the stock.

Senator OVERMAN. Did they acquire it from this firm or partnership?

Mr. PERKINS. Not all of it, but I couldn't tell you what percentage.

Senator OVERMAN. The majority of it?

Mr. PERKINS. I don't know as to that.

Senator CULBERSON. What I want to get at, Mr. Perkins, if I can, is in what capacity, whether as owners or holders of some character of trust for other people, in whole or in part, this partnership to which you refer had in its possession these certificates of stock?

Mr. PERKINS. Well, I don't know; and it certainly did not have any bearing whatever on the situation. We were dealing with a panic, and it was to stop that panic that the transaction took place.

Senator CULBERSON. This partnership is a stock brokerage firm, is it not?

Mr. PERKINS. I don't know just how to term it.

Senator CULBERSON. They deal on the stock exchange, do they not?

Mr. PERKINS. I presume they do.

Senator CULBERSON. The principal need at that time was cash, was it not?

Mr. PERKINS. The principal need was to allay the general feeling in New York that we were entering into another very serious crisis because of all the statements that were flying about as to the condition of loans, of which these securities were a part, and if that lack of confidence about that situation was not cleared up there was no telling how far the ramification would extend and how severe the consequences would be.

Senator OVERMAN. Why were these special securities mentioned? That was only a drop in the bucket. There were a tremendous amount of securities up.

Mr. PERKINS. Yes, sir.

Senator OVERMAN. Why were those securities mentioned?

Mr. PERKINS. Why does a man call "fire" in a theater?

Senator OVERMAN. I do not know any special reason why these stocks were mentioned.

Mr. PERKINS. I have not the slightest idea. You never can tell why such things occur.

Senator OVERMAN. Were these specially mentioned more than any others?

Mr. PERKINS. At this period of the panic?

Senator OVERMAN. Yes; these particular stocks.

Mr. PERKINS. Yes; it became centered at that particular stage of the panic, which covered three weeks.

Senator OVERMAN. This special stock?

Mr. PERKINS. Yes; this was one of the several points where the panic rose to a climax.

Senator CULBERSON. Let us pursue this inquiry. You can not give us any information, then, as to how this partnership held these securities?

Mr. PERKINS. No, sir.

Senator CULBERSON. But in some capacity or other, this partnership had obtained loans on these securities from several banks in New York City?

Mr. PERKINS. Well, these securities were in a number of different loans in various institutions. The technical method by which they got there I don't know.

Senator CULBERSON. I think that is about what I said, that you can not inform the committee in what capacity this partnership had deposited this stock as security, but in some way they had deposited

it, and money had been borrowed on it by this firm, either for themselves or for other people.

Mr. PERKINS. I should prefer to leave my statement of it as I have just made it, Senator. Does that answer your last question, do you think?

Senator CULBERSON. Were they in national banks?

Mr. PERKINS. I don't know that I can—I could not name the banks where these loans were made, from my present recollection.

Senator CULBERSON. Was it in the Morgan banks?

Mr. PERKINS. What do you call Morgan banks?

Senator CULBERSON. I mean the national banks that are generally called "Morgan banks?"

Mr. PERKINS. I can not testify as to that. I don't know what you mean.

Senator CULBERSON. I do not want to name any, except in very general terms. Certain banks are supposed to be dominated——

Mr. PERKINS. I think I can answer your question with this, perhaps, that from my present recollection I could not say whether bank A had or had not any of these stocks in their loans. Of course this was a good while ago, and I can not remember the details. I don't know that I knew at that time, because I was not in the details of the transaction. I did not investigate the condition of things. As I said before, that was done by other people—the details of this transaction.

Senator CULBERSON. You have stated heretofore that this was of great service to the business community, that these securities were in various banking institutions, and yet you can not name any one institution in which they were deposited as securities?

Mr. PERKINS. I don't think I ever had that detailed knowledge myself.

Senator CULBERSON. Was the sale of this stock made by the partnership to the steel corporation?

Mr. PERKINS. In a general way, the negotiations for the sale were conducted between this partnership and the steel corporation. Exactly how the shares of stock were technically transferred I don't know.

Senator OVERMAN. I understood you to say that this transaction was to stop the panic. I want to know who was the patriot who undertook this deal in order to stop the panic. Who was the one who was showing so much patriotism and wisdom, if that was what it was, in bringing about this deal?

Mr. PERKINS. As I recollect it, the attorneys of the partnership proposed it to the steel corporation.

Senator OVERMAN. Then it was the attorneys of the partnership who wanted to stem the tide. That is all I want.

Senator CULBERSON. Was that Mr. Ledyard?

Mr. PERKINS. I believe it was.

Senator CULBERSON. He is the same attorney spoken of by Mr. Thorne this morning in his testimony in your presence, is he not?

Mr. PERKINS. I don't recollect that Mr. Thorne referred to Mr. Ledyard. It was Mr. Lewis Cass Ledyard.

Senator CULBERSON. You have not exactly answered the question I was on when Senator Overman asked you some questions. That was, did this partnership deal directly with the steel corporation?

Mr. PERKINS. Yes, sir.

Senator CULBERSON. What connection, if any, did the firm of J. P. Morgan & Co. have with the matter?

Mr. PERKINS. Mr. Morgan was very active personally in the negotiations.

Senator CULBERSON. As a person interested in the steel corporation?

Mr. PERKINS. As a person at that moment very deeply interested in the effort to stop the panic and avert any further serious consequences than we had had.

Senator CULBERSON. The direct negotiation was then between this partnership and its attorneys and the steel corporation?

Mr. PERKINS. Yes, sir.

Senator CULBERSON. Was Mr. Morgan interested in the way you have pointed out?

Mr. PERKINS. Exactly so.

Senator CULBERSON. There was no cash handled in the transaction; it was just an exchange of securities?

Mr. PERKINS. So far as I know. You made a reference to some cash item this morning?

Senator CULBERSON. I took that from the sixth annual report of the Steel Corporation.

Mr. PERKINS. Doubtless the report is correct.

Senator CULBERSON. There was practically nothing done then but to exchange the securities of the two corporations?

Mr. PERKINS. That is right, sir.

Senator CULBERSON. What was the market value of the Tennessee Coal and Iron stock at that time?

Mr. PERKINS. I don't recollect.

Senator CULBERSON. What was the market quotation of the steel corporation's bonds?

Mr. PERKINS. Now?

Senator CULBERSON. Then.

Mr. PERKINS. I don't recall that now.

Senator CULBERSON. Was there any difference between them?

Mr. PERKINS. I don't recall that.

Senator CULBERSON. I would be glad if you would refresh your recollection and give us any material difference between the quotations, if there was any.

Mr. PERKINS. I can not, Senator; but that would be easily looked up, of course. The records of the stock exchange for those days would give you that.

Senator CULBERSON. Well, is it not a fact, Mr. Perkins, that in the exchange, taking the market value of the two securities, the steel corporation paid a considerable sum more than the market value of the Tennessee Coal and Iron securities?

Mr. PERKINS. I don't recollect.

Senator CULBERSON. At what time was the steel corporation established—in 1901?

Mr. PERKINS. I think it was.

Senator CULBERSON. Do you remember the month?

Mr. PERKINS. No; I do not. It was very early in the year.

Senator CULBERSON. I will ask you if it is not a fact that it acquired and consolidated at that time the following companies:

The Carnegie Co., the Federal Steel Co., the National Tube Co., the American Bridge Co., the Lake Superior Consolidated Mines, the American Steel & Wire Co., the National Steel Co., the American Steel Hoop Co., the American Tin Plate Co., and the American Sheet Steel Co., with an aggregate capitalization of stock and bonds of $911,700,000?

Mr. PERKINS. That is a question I would not be competent to answer.

Senator OVERMAN. Would you state, Mr. Perkins, what percentage of the steel industry of this country is now owned by the United States Steel Co., since they acquired the T. C. I. Co.?

Mr. PERKINS. No; I could not.

Senator CULBERSON. I will ask you if since 1901 the steel corporation has not absorbed the Union Sharon Steel Co., with a capitalization of $45,000,000?

Mr. PERKINS. I am not competent to answer that.

Senator CULBERSON. I will ask you if it has not acquired the Shelby Steel Tube Co., with a capitalization of $15,000,000?

Mr. PERKINS. I am not competent to answer that.

Senator CULBERSON. Of course you admit it has acquired the Tennessee Coal, Iron & Railway Co., with a capitalization of about $32,000,000.

Mr. PERKINS. As I said before, I am not a lawyer, and I don't know whether it has acquired it, or what would be the proper way to put that. I am not competent to answer that kind of a question.

Senator CULBERSON. Has it not been absorbed by your corporation, and is it not being managed as a part of the property of your corporation included in its general report?

Mr. PERKINS. That is such a technical question, Senator, that I am not competent to answer it. I would like to accommodate you if I could, but I do not believe that I can.

Senator CULBERSON. I will ask you if it is not a fact that the steel corporation, as originally established, issued $400,000,000 more of stocks and bonds than the selling price of the stocks and bonds of the companies consolidated?

Mr. PERKINS. I am not competent to answer that question.

Senator CULBERSON. Where are these plants of your corporation now located—the largest ones?

Mr. PERKINS. Well, there are very large steel plants at Pittsburg and in northern Ohio and in Chicago.

Senator OVERMAN. Mr. Perkins, do you mean, by saying that you are not competent to answer those questions, that you do not know?

Mr. PERKINS. In part that I do not know and in part that I am not competent.

Senator OVERMAN. What do you mean by not competent?

Mr. PERKINS. I mean that I am not a lawyer. I don't know about technical questions involved here, and it would require a great deal of study and investigation to take up such very broad questions as have been touched upon. I have been given no notice about what I was going to be asked by this committee.

Senator OVERMAN. You do not know, then, of your own knowledge, what companies are controlled by the United States Steel Corporation?

Mr. PERKINS. I think my answers are the only ones I could give to the questions that are asked.

Senator OVERMAN. My question is, have you knowledge of what companies they do control?

Mr. PERKINS. I do not think I am competent to answer that question.

Senator OVERMAN. I just want to understand what you mean. Do you mean that there is some reason why you ought not to answer it, or is it because of want of knowledge?

Mr. PERKINS. Both. I said to you in the beginning, Senator, that I am not a lawyer, and not versed in a great many of these questions. I have no counsel with me, either, on points that might be as far reaching as that.

Senator OVERMAN. You use the expression "not competent to answer." I wanted to know whether it was just want of knowledge or whether there were other reasons that moved you in answering in that way.

Senator CULBERSON. Do not the plants acquired by the original organization and subsequently include manufacturing, transportation, water, gas, and mining propositions generally?

Mr. PERKINS. I had nothing whatever to do with the organization of the steel corporation.

Senator CULBERSON. You are pretty well acquainted with it, though?

Mr. PERKINS. Yes; I know its business.

Senator CULBERSON. Could you not answer that question, whether it does not include manufacturing, transportation, water, gas, coal, and iron ore in various States of the Union?

Mr. PERKINS. Well, I would say that several of the subsidiary companies of the steel corporation represent several of those branches of industry that you have referred to.

Senator CULBERSON. Where do you get the ore from, at Gary, Ind.?

Mr. PERKINS. Gary, Ind., is just approaching completion, so that it is a question of the future there.

Senator CULBERSON. Where do you contemplate getting the ore?

Mr. PERKINS. I don't know that I have heard that discussed as yet.

Senator CULBERSON. Are you establishing the open-hearth process there?

Mr. PERKINS. At Gary?

Senator CULBERSON. Yes.

Mr. PERKINS. Yes, sir.

Senator CULBERSON. Do you transport ore to your various plants?

Mr. PERKINS. There is a steamship company that transports ore.

Senator CULBERSON. From where to where?

Mr. PERKINS. I think the steamship company transports ore from Minnesota to points on Lake Erie.

Senator CULBERSON. Does the steamship line belong to the corporation?

Mr. PERKINS. I could not technically answer that, Senator. That is a fact.

Senator CULBERSON. I have not denied it.

Senator KITTREDGE. What do you mean by "technically"?

Mr. PERKINS. I mean that I do not know offhand, sitting here.

Senator KITTREDGE. You mean you do not know whether the steel company owns the stock in a subsidiary company operating that line or owns it directly?

Mr. PERKINS. I don't know.

Senator KITTREDGE. Is that what you mean by being unable to technically answer the question of Senator Culberson?

Mr. PERKINS. Yes.

Senator CULBERSON. What is the longest distance that you have to transport ore to your manufacturing plants?

Mr. PERKINS. I don't know.

Senator CULBERSON. About how long?

Mr. PERKINS. I don't know.

Senator CULBERSON. Between what points, by name? Name some of them.

Mr. PERKINS. One point—I don't know whether it would be the longest distance or not—would be from some point in Minnesota to some point in Pennsylvania.

Senator CULBERSON. You transport the ore from one of those points to the other for the purpose of manufacturing?

Mr. PERKINS. Well, the steamship company transports ore.

Senator CULBERSON. This steamship company is controlled by the corporation, is it not?

Mr. PERKINS. That is what I said I don't know. I don't know the technical position of that.

Senator CULBERSON. Was that company originally organized without reference to your company, and did your company subsequently obtain control of it, or was the steamship company originally organized by your company under that name?

Mr. PERKINS. The steamship company was an original company.

Senator CULBERSON. And you took it over?

Mr. PERKINS. That I think would have to be covered by my answer to the other question. May I say here that my connection with the steel corporation is not one of detail and never has been. I had nothing to do with the organization, and have not been, of course, in touch with the detailed technical management or handling of its affairs. I am not an officer of the steel corporation.

Senator CULBERSON. You are a member of the finance committee?

Mr. PERKINS. Yes, sir; but I am not an officer of the company.

Senator CULBERSON. Your company has plants and ore and steamship lines, and all that in several of the States of the Union, has it not?

Mr. PERKINS. Well, subsidiary companies have. The annual reports, Senator, if I might suggest, will give you all that information. They are intended to be very full and complete. You will find in our last reports a statement of what this company and that company and the other company are doing.

Senator CULBERSON. The chairman of our committee asked you this morning what proportion of the general output of the country in which your corporation is engaged came from your company, and I believe you answered that you did not know.

Mr. PERKINS. I believe I did.

Senator CULBERSON. You know the magazine, of course, called the "Iron Age?"

Mr. PERKINS. Yes, sir.

Senator CULBERSON. Is it a pretty responsible paper?

Mr. PERKINS. I know it by name, but I am not familiar with the details of its publication.

Senator CULBERSON. Can you indicate to the committee the total percentage—I mean generally speaking—manufactured in each year by your company and the subsidiary companies, I will say, in iron ore?

Mr. PERKINS. I can not.
Senator CULBERSON. Or coke?
Mr. PERKINS. No, sir.
Senator CULBERSON. Or steel?
Mr. PERKINS. No, sir.
Senator CULBERSON. Or steel rails?
Mr. PERKINS. No, sir.
Senator CULBERSON. Or finished iron and steel products?
Mr. PERKINS. No, sir.
Senator CULBERSON. Or wire rods?
Mr. PERKINS. No, sir.
Senator CULBERSON. Or wire?
Mr. PERKINS. No, sir.
Senator CULBERSON. Or wire nails?
Mr. PERKINS. No, sir.
Senator CULBERSON. Or tubes and pipes?
Mr. PERKINS. No, sir.
Senator CULBERSON. Or tin plate?
Mr. PERKINS. No, sir.
Senator CULBERSON. Or bridges
Mr. PERKINS. No, sir.
Senator CULBERSON. Can you state to the committee what proportion of the total output the acquisition of the Tennessee Coal & Iron Co. has given to the steel corporation?
Mr. PERKINS. No, sir.
Senator CULBERSON. In the open-hearth process
Mr. PERKINS. No, sir.
Senator CULBERSON. I will ask you if it does not amount to 80 per cent?
Mr. PERKINS. I don't know.
Senator CULBERSON. I will ask you if the acquisition of the Tennessee company did not give you at least 40 per cent of the iron-ore holdings that your company now possesses?
Mr. PERKINS. I don't know. I do know that no such questions were directly or indirectly referred to at the time of our acquiring the Tennessee Coal & Iron Co. and that they had nothing whatever to do with the case.
Senator OVERMAN. Do you know who the chief competitor of the United States Steel Co. was prior to the time you acquired the Tennessee Coal & Iron Co.?
Mr. PERKINS. No; I could not single out one single chief competitor.
Senator OVERMAN. Was there any other company that did as large business as the Tennessee Coal & Iron Co.?
Mr. PERKINS. I don't know. There were other large and powerful concerns, though. The question of how powerful they were, Senator, or anything of that sort, never came into the question at all.
Senator CULBERSON. The officers of the steel corporation, of course, had a general knowledge of the Tennessee Coal and Iron matter, did they not?
Mr. PERKINS. Yes, sir.
Senator CULBERSON. It was not any use to consider much, was it?
Mr. PERKINS. Except that they did not want it.
Senator CULBERSON. Did not want it?

Mr. PERKINS. No, sir.

Senator CULBERSON. Why do you say, in your sixth annual report, that it is a very valuable property?

Mr. PERKINS. It is a very valuable property. Nobody has ever questioned that, as far as I know.

Senator OVERMAN. Were they not underselling the United States Steel Co.?

Mr. PERKINS. Not to my knowledge. A property may be very valuable and yet you might not want it.

Senator OVERMAN. The only reason, then, that moved you to acquire it was to prevent another crisis in the market?

Mr. PERKINS. Absolutely; solely.

Senator KITTREDGE. Do you know who are the directors of the Tennessee Coal & Iron Co. at the present time?

Mr. PERKINS. No, sir.

Senator KITTREDGE. Who became directors at the first election held after November 4, 1907?

Mr. PERKINS. No, sir; I undoubtedly knew at the time, but the names are not with me now.

Senator KITTREDGE. Do you know where the offices of the Tennessee Coal & Iron Co. are—where the records of that company are now?

Mr. PERKINS. The company's offices are at Birmingham. I could not state under oath where the records are.

Senator KITTREDGE. Who is the secretary of the company?

Mr. PERKINS. I don't know.

Senator KITTREDGE. Do you know any of the officers of the Tennessee Coal & Iron Co.?

Mr. PERKINS. I know the president, Mr. Graham. Mr. Graham is the president now.

Senator KITTREDGE. Where is his headquarters?

Mr. PERKINS. His headquarters is at Birmingham.

Senator KITTREDGE. Do you know in what State this Tennessee Coal & Iron Co. is organized?

Mr. PERKINS. I do not.

Senator OVERMAN. I understood Mr. Perkins to say that they did not want this T. C. I. Co., and the sole reason they acquired it was to prevent another crisis in the money market. I had before asked him who approached Morgan & Co. for the sale of the Tennessee Co. and he said a man by the name of Ledyard, who was the lawyer of this company; that it was the lawyer who was looking out for the interests of the money market, and not Morgan & Co., if that was so. Is that true?

Mr. PERKINS. No, sir.

Senator OVERMAN. Can you explain that? It looks a little inconsistent. That is all.

Mr. PERKINS. Well, I don't know that Mr. Ledyard was the lawyer of the Tennessee Coal & Iron Co.

Senator OVERMAN. Well, the agent.

Mr. PERKINS. My recollection is that he represented this partnership that was in difficulty, and in the general turmoil and distress of things in New York was seeking some way to try to alleviate this particular trouble that had loomed up, and went to see Mr. Morgan in that connection. It was not a question of going to see him about

the Tennessee Coal & Iron Co. as a company. It was going to see him about the difficulties that were arising with the people he represented.

Senator OVERMAN. By reason of this Tennessee Coal and Iron?

Mr. PERKINS. By reason of their financial situation.

Senator OVERMAN. In regard to this stock?

Mr. PERKINS. The partnership; yes, in regard to their holdings. Does that make that clear?

Senator OVERMAN. Well, it looked a little inconsistent, and I thought maybe you could clear it up.

Senator CULBERSON. Mr. Perkins, you said Mr. Lewis Cass Ledyard, the lawyer, made this first approach?

Mr. PERKINS. That is my recollection.

Senator CULBERSON. I believe you said he represented this partnership, which is to us nameless here.

Mr. PERKINS. That is also my recollection, Senator.

Senator CULBERSON. You said this morning that you could not recall who made the first objection. At least, that is the way I remember it.

Mr. PERKINS. Yes; I did. I did not recall that this morning.

Senator CULBERSON. He is the gentleman, you think now, though, who covers both inquiries?

Mr. PERKINS. Yes; during the recess I was thinking about that, and I think that is the way it came about.

Senator CULBERSON. Who did he go to first?

Mr. PERKINS. My recollection is he went to Mr. J. Pierpont Morgan.

Senator CULBERSON. Did he say the banks that held these papers as collateral were pressing?

Mr. PERKINS. I was not present at that interview.

Senator CULBERSON. How do you know he went to him, then?

Mr. PERKINS. Because I was told that he did.

Senator CULBERSON. Were you told also whether he said the banks holding these securities were pressing him?

Mr. PERKINS. As to whether he told that or how that came out, I don't know.

Senator CULBERSON. As a matter of fact, were the banks which held this Tennessee Coal and Iron stock as collateral pressing the loan?

Mr. PERKINS. That is my recollection, that some of these loans were time loans.

Senator CULBERSON. Time loans? I thought you said call loans?

Mr. PERKINS. I think there were some time loans, but my recollection is—I ought not to swear to this—that there were some time loans and some call loans. At any rate, they were in a situation where something had to be done very promptly.

Senator CULBERSON. The banks which held these loans were pressing the collection of the loans for which they had been deposited as collateral security?

Mr. PERKINS. I don't know that you could use the word "pressing." It was a situation that in some way had to be relieved because of those loans.

Senator CULBERSON. How did the substitution of the steel bonds, which were quoted about the same as the Tennessee stock, enable these people to take up the loans, to pay off the debt for which this Tennessee stock had been deposited as security?

Mr. PERKINS. Why, this panic was all a question of what people believed or what they did not believe. They did not believe that the Tennessee Coal and Iron stocks were a liquid, current, salable asset on the exchange.

Senator CULBERSON. You do not answer my specific question.

Mr. PERKINS. Perhaps I can when I finish. They did believe the others were, and by taking out security A and putting in security B they were acceptable, and if a bank examiner——

Senator CULBERSON. Do you mean to say that the bonds of the Steel Corporation, although they were quoted at about the same price, were more valuable than the stock of the Tennessee company?

Mr. PERKINS. As to their intrinsic value, that does not enter into it. They were more salable. You could go out even in that panic and sell them at a price.

Senator CULBERSON. My specific question is this: Here was this partnership that had gone down there in some capacity or other, about which you are not able to give any specific testimony, and borrowed money, say, from the First National Bank of New York, and deposited there, at least in part security, the T. C. I. certificates of stock. Now, how did the mere substitution of that stock change the situation?

Mr. PERKINS. I beg your pardon. I guess you mean the substitution of the bonds, do you not?

Senator CULBERSON. I meant to use the general term securities. When they were worth about the same price in the market, how did the mere substitution of the securities change the situation?

Mr. PERKINS. Well, one was what we would call in New York a liquid security, and the other was not.

Senator CULBERSON. Was the other solid?

Mr. PERKINS. One you could sell on the Exchange, and the other you could not.

Senator CULBERSON. One was a liquid and the other was a solid security?

Mr. PERKINS. That may have been, too, in a way, and that covers some other questions you have asked, as to why the steel corporation did not want to acquire the stock of the Tennessee Coal & Iron, at those prices.

Senator CULBERSON. But what I want to get at now is this specific question, as to how the mere substitution of these securities paid that debt of the banks that they were calling for.

Mr. PERKINS. You could go out and sell the bonds very readily. You could not go out and sell the stock, and the finance committee——

Senator CULBERSON. Were they not quoted about the same?

Mr. PERKINS. There was a very great difference. No one dared press any security on the market at that time that there was any question about being able to sell. We were in a panic, and the worst panic that any city or country has ever known. It was not a question whether anything was intrinsically worth something or was not. It was what you could do with it, what people believed. They did not believe in that security, and they did believe in the steel bonds. Whether their belief was well founded or whether it was not, had nothing at all to do with people's minds at that moment.

Senator KITTREDGE. You mentioned, or started to mention, some finance committee, as I heard it.

Mr. PERKINS. Yes, sir; of the steel corporation.

Senator KITTREDGE. What were you about to say with reference to the finance committee of the steel corporation?

Mr. PERKINS. The finance committee hesitated very much about acquiring these stocks, because, among other things, of the fact that their nominal quotations the committee did not believe were justified. They felt that they ought to be able to acquire them at lower prices, and the committee had to weigh the question as to what they owed to the general situation and what they owed to the stockholders of the steel corporation, who represent large public ownership by the people, in not giving too much for the stock of the Tennessee Coal & Iron Co., and yet being able, by acquiring it, to save the financial crisis that existed in New York.

Senator KITTREDGE. Were you present when that matter was being considered?

Mr. PERKINS. I was.

Senator KITTREDGE. How long was that matter taken under advisement?

Mr. PERKINS. At, as well as I recollect it, three or four conferences.

Senator KITTREDGE. When was the first held?

Mr. PERKINS. I can not swear as to the exact hour and day, but to the best of my memory it was on Friday.

Senator KITTREDGE. Where was it held?

Mr. PERKINS. At Mr. Morgan's library.

Senator KITTREDGE. When were the other conferences held?

Mr. PERKINS. At the same place.

Senator KITTREDGE. When were they held?

Mr. PERKINS. Of course you understand this is a long while ago.

Senator KITTREDGE. Yes. I do not want to pin you down.

Mr. PERKINS. My best recollection is there were one or two on Friday and more on Saturday and on Sunday.

Senator KITTREDGE. And when did you say this Tennessee Coal & Iron matter became acute at the session this morning?

Mr. PERKINS. I should think on Friday or Saturday.

Senator KITTREDGE. You mentioned Saturday.

Mr. PERKINS. It was at the close of that week, one or the other.

Senator KITTREDGE. You mentioned Saturday this morning.

Mr. PERKINS. I think I said at the close of the week, did I not?

Senator KITTREDGE. Who were present at these conferences beginning on Friday?

Mr. PERKINS. It would be very difficult, of course, to be sure of all who were present.

Senator KITTREDGE. Name those you remember.

Mr. PERKINS. There were Mr. Morgan, Mr. Frick, Judge Gary, and other members of the finance committee.

Senator KITTREDGE. Will you not give the names?

Mr. PERKINS. Well, I am not certain enough to know just who were there. I would rather not give names that I am not sure about; I might be wrong.

Senator KITTREDGE. Give your best recollection. Of course that is all we can expect in a matter of that kind.

Mr. PERKINS. I remember distinctly about those being there. The others I would not be sure about.

Senator KITTREDGE. Has Mr. Morgan any connection with the steel company?

Mr. PERKINS. Yes, sir; he is a director.

Senator KITTREDGE. On the finance committee?

Mr. PERKINS. No, sir.

Senator KITTREDGE. Has he any other official position than that of director?

Mr. PERKINS. No, sir.

Senator KITTREDGE. What is the official position of Mr. Frick and Mr. Gary?

Mr. PERKINS. Mr. Frick is a director and a member of the finance committee, and Judge Gary is a director and chairman of the board of directors and a member of the finance committee.

Senator KITTREDGE. Do you know whether or not Mr. Frick and Mr. Gary are directors in the Tennessee Coal & Iron Co.?

Mr. PERKINS. At that time?

Senator KITTREDGE. Immediately following.

Mr. PERKINS. No; as I said a few minutes ago, I don't remember who were elected directors.

Senator OVERMAN. Did you discuss the question in those meetings whether or not the acquiring of this stock would be a violation of the Sherman Act?

Mr. PERKINS. Yes, sir.

Senator OVERMAN. That was discussed?

Mr. PERKINS. It was.

Senator OVERMAN. Was there any agreement then about having certain persons come here and see the President?

Mr. PERKINS. We felt that we ought to take that step, in view of the general discussion about such things that was going on at that time.

Senator OVERMAN. Judge Gary and Mr. Frick were sent over here at the instance of the United States Steel Co.?

Mr. PERKINS. Well, as a result of these conferences; yes, sir.

Senator KITTREDGE. Who is the chief counsel of the steel company?

Mr. PERKINS. Mr. Francis Lynde Stetson.

Senator KITTREDGE. Was he consulted about this matter?

Mr. PERKINS. I don't know.

Senator KITTREDGE. At any time, to your knowledge?

Mr. PERKINS. I don't recollect, sir.

Senator KITTREDGE. Either at the time you were holding these conferences at Mr. Morgan's house, or later?

Mr. PERKINS. I don't know.

Senator KITTREDGE. Or before?

Mr. PERKINS. I don't know. There were a great many conferences going on at the same time that this was.

Senator KITTREDGE. I wondered if the company's lawyer was consulted about that matter.

Senator CULBERSON. Mr. Perkins, I was asking you awhile ago, inasmuch as the collection of these loans was being pressed upon which the Tennessee stock was deposited as security, how a mere substitution of the bonds of the Steel Trust affected the situation. You said there was a difference in the securities. Do you know how those loans were finally paid off in these banks that were pressing?

Mr. PERKINS. Not the details; no, sir.

Senator CULBERSON. Do you know generally?

Mr. PERKINS. Yes; by exchange of the Tennessee Coal & Iron stock for the bonds of the steel corporation.

Senator CULBERSON. But that would not pay the loans, would it?

Mr. PERKINS. I don't suppose I ought to testify to what I presume, but it is perfectly natural to see that that would come about by some people selling their bonds and paying their loans off in cash and others substituting the bonds with the loan.

Senator CULBERSON. I mean these particular loans. Do you know how the cash was ever finally realized?

Mr. PERKINS. No, sir.

Senator OVERMAN. How were these bonds acquired? Were they treasury bonds, or was it treasury stock?

Mr. PERKINS. They were treasury bonds of the steel corporation.

Senator OVERMAN. Bonds that had not been sold?

Mr. PERKINS. No, sir.

Senator OVERMAN. And the corporation, as I understood, took the bonds that were already in the treasury and put them up in lieu of this stock?

Mr. PERKINS. That is it, sir.

Senator KITTREDGE. And put the stock back into the treasury of the steel company; that is, the stock of the Tennessee Coal & Iron Co?

Mr. PERKINS. The technical legal method of that I am not familiar with, Senator.

Senator KITTREDGE. Well, omit the technical method.

Mr. PERKINS. That was it, in effect, I suppose; yes, sir.

Senator KITTREDGE. Was it in effect put in the treasury of the steel company?

Mr. PERKINS. That I don't know, whether they were placed in the treasury of the steel corporation, or just how that was done.

Senator OVERMAN. Would not that be natural, that it would be put in the treasury?

Mr. PERKINS. I am testifying under oath, and I am doing the best I can.

Senator OVERMAN. As an expert, as a business man, would not either money or stock have to be put in its place?

Mr. PERKINS. First you say the steel corporation——

Senator OVERMAN. I mean the stock that was put up in lieu thereof.

Mr. PERKINS. Your judgment on that, Senator, is exactly as good as mine. It is the business way of working it out.

Senator OVERMAN. In surrendering certain stock, would not something have to be put in its place?

Mr. PERKINS. Yes, sir.

Senator OVERMAN. What would be put in its place?

Mr. PERKINS. I can only make the answer that I did.

Senator CULBERSON. That is what I have been trying to find out—what became of it—how it was effected?

The CHAIRMAN. Mr. Perkins, do you know whether the United States Steel Co. still is the owner of the stock for which they issued these bonds?

Mr. PERKINS. Well, if the steel corporation acquired it, whatever company—perhaps this answers your question, too—whatever company acquired it is still the owner of it.

Senator OVERMAN. You do not know just what company acquired it?

Mr. PERKINS. No; I don't know just what legal method was used.

Senator OVERMAN. As I understand, the United States Steel Co. is the parent company of a great many companies, subsidiary?

Mr. PERKINS. That is it. Subsidiary companies, we call them.

The CHAIRMAN. I think that is all, Mr. Perkins.

Mr. PERKINS. I would like to say that J. P. Morgan & Co. acted in exchanging the securities, but in no way did we charge any fee or have any interest, as a firm or as individuals, in the purchase or transfer or exchange of these securities. The transaction was done directly between one company and the other, without any intermediate profit to anybody, in any shape or manner.

(The subcommittee, at 3.30 o'clock p. m., adjourned until Tuesday, February 2, 1909, at 10.30 o'clock a. m.)

COMMITTEE ON THE JUDICIARY,
UNITED STATES SENATE,
Washington, D. C., February 2, 1909.

The subcommittee met at 10.30 o'clock a. m.

Present: Senators Clark (chairman), Dillingham, Kittredge, Culberson, and Overman.

Present also, Mr. Grant B. Schley and Mr. Thomas Thacher.

The CHAIRMAN. Mr. Schley, the committee requested your attendance here this morning, and you will be sworn.

TESTIMONY OF GRANT B. SCHLEY.

GRANT B. SCHLEY was duly sworn, and testified as follows:

The CHAIRMAN. Mr. Schley, this is a subcommittee of the Committee on the Judiciary, which is charged with the duty of inquiring into the legality of the absorption of the Tennessee Coal, Iron and Railroad Company by the United States Steel Corporation. The committee finds it necessary to obtain all the information it can in regard to the United States Steel Corporation and the Tennessee Coal, Iron and Railroad Company, either or both of them, at the time of the absorption, or at the time when the United States Steel Corporation obtained control of the majority of the stock of the Tennessee company. It has been suggested that you knew something at the time in regard to that matter, and the committee would be very glad to have you give them the information you may have, whatever it is. I have no particular point to which to direct your attention in the first instance, but we will be very glad to have you give us a general statement, and perhaps then the members of the committee will have some particular questions to which to call your attention.

Mr. SCHLEY. Of course I was very familiar with it all. My first connection with it was in the course of ordinary business. I think it was in the fall of 1905. I found that the control of the Tennessee Coal and Iron Company, which had been formerly closely held by the old directors—I will not mention their names—could be bought, in

the ramifications of the buying and selling. I don't know whether it was one party or two parties who had considerable knowledge of it at the start, but, having an idea of the large value of the property and that it had never been properly developed, I talked with a number of my friends, and they were all strong men, or they were when conditions were normal. I presented it to them and we, together, bought that stock, as I remember it, 118,500 shares. The stock outstanding at that time was $22,550,000, or something like that. That is not quite accurate, but it was about that, of common stock, and $1,000,000 of preferred stock, the common stock and the preferred stock having the voting power. The 118,500 shares which we could obtain was more than half the total, which gave a control.

The idea of that purchase was to develop the property. It was not in any sense a speculative party. They were strong men. The general scheme that was proposed and that was carried out was that each should take such proportion as he like to take, and pay for it. Very few people have enough money to do that, quite, and some people borrowed money on their stock, but I should say that half of that total was paid for and then taken care of. Some of that which was paid for was left in my office, the people having confidence in me, and I put it in safe-keeping, separately from the rest. About half, say, of that majority of the stock was after that, perhaps, borrowed on to some extent—half paid for and borrowed on to some extent—and Moore & Schley acted in that capacity as bankers. Moore & Schley were not interested in the purchase of this property at all as a firm. I had a share and various other parties had a share, and we paid for it, as I say. Some paid for it in part and took it away, and then borrowed money. They took it away and perhaps went to other houses and borrowed money, or to banks and borrowed money; but I should say the majority was fully paid for. They were very strong men.

That went on, and then in carrying out the original idea, in no sense speculative, we raised money for the building of blast furnaces, the improvement of the coal mines, the improvement of the ore mines, and in general methods to develop the largest deposits of coal, iron, and dolomite to capacity.

Our first effort to raise that money was to call on all the stockholders, all these people, to take new stock at par. There was one call made of 15 per cent. I think the first call was exactly 15 per cent, which was payable, say, in five installments. I think it was five. Fifteen per cent of the $22,500,000 would be $3,400,000, approximately. That is my mental calculation now. At another time, all conditions being normal, business running along in the ordinary course, another call was made, and that was of course larger in amount because it was on a larger total, the $22,500,000 having been increased by the first call to whatever that 15 per cent added.

Along in 1907 panicky conditions arose, as you all know, and in the meantime stock that was outside was bought by friends who believed in this general improvement and that it would be a very large property for the future, and the loans of Moore & Schley were more or less increased, of course, each time the new stock was taken. The individuals who owned the property felt the stress of the situation. It got along late in the fall and another call was made, a third call. I think that call was made in October, 1907, to finish the improvements

that we had started to make. That last call would have carried us down to the finishing of our improvement, as far as it had gone. Well, the stress of the situation came upon all alike. Anybody who was borrowing money or who was in affairs felt the pressure. Moore & Schley, for example, were borrowing considerable money on securities separate from the Tennessee Coal and Iron, very much larger than the total of the Tennessee Coal and Iron, in the regular course of their business.

I found, on consulting verbally with several of the holders of the stock, that the pressure was so strong that they wanted relief, and in spite of the advantages that we saw ahead individually it was the general sense that if we could we would like to sell the property without any great loss. I saw Mr. Ledyard, whom I knew was intimate with Mr. Morgan and with the steel people generally. He had no connection with the property and, I think, knew very little about it before that. I asked him to communicate and see if they would buy this stock at par. That resulted in the negotiation which, in the course of five or six days, culminated in the purchase of the stock by the United States Steel Corporation at par.

Those are the headings about as I recall them.

Senator CULBERSON. If the committee will allow me, I will ask you some general questions. Do I understand you to say, Mr. Schley, that the syndicate was formed for the purchase and control of the stock of the Tennessee Co.?

Mr. SCHLEY. I hardly think you can call it a syndicate.

Senator CULBERSON. What was it called?

Mr. SCHLEY. I mean in the sense of their purchasing the total stock as a syndicate. The purchases were made by individuals who took up their stock in each instance practically and in fact because when they took up their stock some put it in their pockets. Others did borrow money on portions of it.

Senator CULBERSON. Did you have any connection with these several individuals who bought it, as manager of the stock or holder of it for them?

Mr. SCHLEY. No; not the party. Moore & Schley may have loaned money on some of those stocks to individuals. The principal object of the getting together of this party was that the stock might be held in total, and it was agreed to do that for a year or two years, and then the time was extended.

Senator CULBERSON. You mean held in total by friendly interests?

Mr. SCHLEY. By friendly interests; that each should hold his stock and keep the control in the party.

Senator CULBERSON. In other words, a number of individuals agreed to go in and purchase a majority of the stock and develop the property?

Mr. SCHLEY. That is right.

Senator CULBERSON. Whether you call that a syndicate or what not, it was that character of arrangement?

Mr. SCHLEY. You might call it of that character, but each man held and owned his own property. It was not under my control at all.

Senator CULBERSON. I understand; but each man held and owned in his own right a certain amount of stock. Was there any arrangement between them all of a friendly character; and if so, what?

Mr. SCHLEY. Yes; the only arrangement was that they should hold their stock. In the first place, I think, it was two years they agreed to hold it, and then we got an extension. We were to hold it another year.

Senator CULBERSON. You were holding it in this same relation?

Mr. SCHLEY. Each man was holding his own stock.

Senator CULBERSON. With this understanding, in the fall of 1907?

Mr. SCHLEY. Yes; under the agreement among the gentlemen.

Senator CULBERSON. Will you name those individuals?

Mr. SCHLEY. Well, I would rather not. I would prefer not to do so without asking them. Of course if you ask me to I will.

Senator CULBERSON. Personally, I would rather have the question answered, Mr. Schley.

Mr. SCHLEY. I would rather have you insist upon it if you want it answered, because these gentlemen are modest, of course.

Senator CULBERSON. I insist upon it.

Mr. SCHLEY. I will tell you if you insist upon it.

Senator CULBERSON. I would like to know who composed the syndicate?

Mr. SCHLEY. I would like to have you insist upon it.

Senator CULBERSON. I do.

Mr. SCHLEY. I have here the original list of members.

Senator CULBERSON. That will be copied into the record.

(The list referred to is as follows:)

[Original revised.]

	Shares.
O. H. Payne	10,300
L. C. Hanna	10,300
G. B. Schley	10,300
J. B. Duke	10,300
E. J. Berwind	10,300
J. W. Gates	10,300
A. N. Brady	10,300
G. A. Kessler	10,300
O. Thorne	10,300
E. W. Oglebay	5,150
H. S. Black	5,150
F. D. Stout	5,150
J. W. Simpson	5,150
G. W. French	2,500
S. G. Cooper	1,500
J. A. Topping	1,000
Total	118,300

Senator CULBERSON. Did the gentlemen whose names you have just given compose this group in the fall of 1907?

Mr. SCHLEY. They remained in the party.

Senator CULBERSON. How much stock was acquired by these individuals under the arrangement to which you refer?

Mr. SCHLEY. One hundred and eighteen thousand five hundred shares at first.

Senator CULBERSON. Do you know the amount of it in November, 1907?

Mr. SCHLEY. I do not, but there was a subsequent purchase, in smaller amounts, of 50,000 shares. There were quite a number of smaller holders joined in that, and they agreed to the one proposition that they would not sell. That is about all we agreed to.

Senator KITTREDGE. What percentage of stock was held by these gentlemen and their associates, and your associates, on November 4, 1907?

Mr. SCHLEY. Of course these amounts were increased. There was a purchase of 50,000 shares afterwards. I never figured the percentage. It would be about 70 per cent, I should think.

Senator CULBERSON. Did all these gentlemen pay for their stock in full?

Mr. SCHLEY. They all paid for their stock.

Senator CULBERSON. In full?

Mr. SCHLEY. That was one transaction. They all took their stock. The syndicate had no function in money raising. They all took their stock, and some of them put it in their box, and some may have borrowed money from Moore & Schley as bankers, or from other bankers. Half a dozen of those gentlemen took that stock out, and I have reason to believe they went to some bank and perhaps borrowed fifty, paying a high price for it. I don't know how much they borrowed. That is only a suggestion.

Senator CULBERSON. Was any of the stock left on deposit with Moore & Schley?

Mr. SCHLEY. I don't know what you mean by deposit.

Senator CULBERSON. Was it left with the firm of Moore & Schley after it was purchased by these several gentlemen under the arrangement suggested?

Mr. SCHLEY. Some of those parties did, after they took their stock, borrow money of Moore & Schley on their stock, at a much lower price, of course. There was a banking transaction at prices which Moore & Schley felt sure they could reimburse themselves on by rehypothecating at banks.

Senator CULBERSON. Did not this group of gentlemen acquire control for the purpose of selling or placing it in some other corporation?

Mr. SCHLEY. Not the slightest. We wanted to build the property up, and the course of our efforts and endeavors readily proves that.

Senator CULBERSON. In the fall of 1907, approximately how much iron ore did the Tennessee company own in tons?

Mr. SCHLEY. In the fall of 1907? That is a matter of estimate.

Senator CULBERSON. Well, approximately.

Mr. SCHLEY. In the ground, I suppose you mean?

Senator CULBERSON. Yes, sir.

Mr. SCHLEY. It was estimated at 500,000,000 tons, but that is an estimate.

Senator CULBERSON. I notice in the forty-seventh annual report, made by a committee of which you were a member, it is estimated at 700,000,000.

Mr. SCHLEY. Well, we had been boring about, and that was an estimate. I should say it was 500,000,000 or 700,000,000. It was a matter for our grandchildren.

Senator CULBERSON. How much coal, in tons, at that time, approximately?

Mr. SCHLEY. Well, there was an estimate of 2,000,000,000 tons of coal.

Senator CULBERSON. How much flux or fluxing material?

Mr. SCHLEY. That was indefinite, but very large.

Senator CULBERSON. What was the fair valuation of the plant at this time in 1907?

Mr. SCHLEY. The plant when we took it was in a very bad condition, and we were going on with its improvement. It had never been arrived at.

Senator CULBERSON. You would not like to estimate the value of the plant in the fall of 1907? You had made some improvements then, had you?

Mr. SCHLEY. From 1905, the day we took it, we commenced our improvements.

Senator CULBERSON. What would you estimate the value of the plant to be in 1907?

Mr. SCHLEY. The value of the plant, of course, is its earning capacity, and the plant was not completed to a point to give its full earning capacity.

Senator CULBERSON. I mean in dollars and cents. What would you estimate to be the value of the plant in the fall of 1907?

Mr. SCHLEY. We had spent $7,000,000 on it. It was not completed.

Senator CULBERSON. Yes, I know.

Mr. SCHLEY. And when we took it it was in such bad condition it would take an expert to give it a value. I couldn't tell that.

Senator CULBERSON. Generally speaking, would you say the estimate put on the value of properties in this forty-seventh annual report, made by a committee of which you were a member, would be about correct.

Mr. SCHLEY. I believe that to be correct. They were very responsible men.

Senator CULBERSON. Was that company then in a position to make steel rails and deliver them on the cars at Birmingham as cheaply as any other corporation you know of?

Mr. SCHLEY. Not when we sold.

Senator CULBERSON. I mean in 1907.

Mr. SCHLEY. I say no. Our rail plant was not completed, you see.

Senator CULBERSON. There was a rail plant when you took it, was there not?

Mr. SCHLEY. Yes; but it was an impossible plant.

Senator CULBERSON. Were they not making steel rails in 1907?

Mr. SCHLEY. Nineteen hundred and five is when we took it.

Senator CULBERSON. I understand, but I am referring to 1907.

Mr. SCHLEY. No; we made a few, but the rail bill had not much capacity.

Senator CULBERSON. You made the number of rails that are mentioned in this report.

Mr. SCHLEY. Yes; but we did not make them at a profit at that time.

Senator CULBERSON. Do you know, Mr. Schley, anything of an order given by Harriman, or the Harriman lines, for a large amount of steel rails in 1907?

Mr. SCHLEY. Yes.

Senator CULBERSON. How much was that?

Mr. SCHLEY. As I remember it, the total was 50,000 tons. It was purchased through our selling agency. I heard of it at the time.

Senator CULBERSON. Was not that purchase made because they preferred the open-hearth process instead of the Bessemer?

Mr. SCHLEY. I believe that was a consideration.

Senator CULBERSON. Will you state how much money Moore & Schley were borrowing for themselves or their customers on T. C. I. stock in November, 1906?

Mr. SCHLEY. 1906?

Senator CULBERSON. Yes; how much money were you borrowing for yourselves or for your customers on T. C. I. stock in November, say, of 1906?

Mr. SCHLEY. I couldn't tell you that. I don't think it was very large. It was comparatively large, but not as large as it was afterwards.

Senator CULBERSON. How much money were you borrowing on the T. C. I. stock for yourselves or your customers on November 1, 1907?

Mr. SCHLEY. About five million to five million and a half dollars.

Senator CULBERSON. What were the total outstanding loans of Moore & Schley on November 1, 1907?

Mr. SCHLEY. Do you want to know all that?

Senator CULBERSON. I want to know that, just in round numbers.

Mr. SCHLEY. About $33,000,000.

Senator CULBERSON. What do I understand by that answer? I mean to say what am I to understand you to mean by the answer you make to that question?

Mr. SCHLEY. Do you mean how much money were Moore & Schley borrowing on that debt?

Senator CULBERSON. I want your outstanding loans.

Senator DILLINGHAM. Senator, do you mean loaning or borrowing?

Senator CULBERSON. How much had you loaned?

Mr. SCHLEY. How much had I loaned?

Senator CULBERSON. Were you in the business of loaning? Were you bankers in the sense of loaning money?

Mr. SCHLEY. Oh, surely.

Senator CULBERSON. What were your total loans on November 1, 1907?

Mr. SCHLEY. They must have approximated the amount of money we were borrowing, because we only borrowed money to reimburse the amount of money we loaned, and what we had remaining in our box was the residuum and property of Moore & Schley.

Senator CULBERSON. You answered that in 1907 you borrowed about $5,000,000 on T. C. I. stock?

Mr. SCHLEY. Yes; I looked that over, and I find that was about the amount of the loans of the T. C. & I. Co. that were distributed among our general borrowings.

Senator CULBERSON. Let me see if I understand that. The capital stock of the company in November, 1907, was about $30,000,000?

Mr. SCHLEY. Twenty-nine million four hundred thousand dollars would be nearer to it.

Senator CULBERSON. On November 1, 1907, you had only borrowed money, either for yourselves or for your customers, with the T. C. I. stock as security, to the extent of $5,000,000?

Mr. SCHLEY. Between five and six million. I may not be quite accurate. It is about that.

Senator CULBERSON. At that time—that is, in November, 1907—what amount were you borrowing from the Morgan banks?

Mr. SCHLEY. I don't know what you mean by the Morgan banks.

Senator CULBERSON. The banks of New York that are generally referred to as the Morgan banks, the First National among them.

Mr. SCHLEY. Let me see.

Senator CULBERSON. About what was the amount you were borrowing from the Morgan banks in 1907?

Mr. SCHLEY. The total of my borrowings from them?

Senator CULBERSON. Yes.

Mr. SCHLEY. Without reference to Tennessee Coal & Iron?

Senator CULBERSON. I am going to ask you that. I made a memorandum to ask you that, but I want to know the total amount you were borrowing from the banks.

Mr. SCHLEY. I can not recall that. I can gain that data.

Senator CULBERSON. What percentage of that amount was secured by T. C. I. stock as collateral?

Mr. SCHLEY. Whatever the percentage was it was small. The First National Bank's loan was a large loan. We were borrowing about $400,000 on T. C. I. in that loan. I don't know its total, but it was quite large. The Chase National Bank—the total of our Tennessee borrowings with them, I think, was about $200,000; but I don't think Mr. Morgan is interested in the Chase National Bank at all. He may be.

Senator CULBERSON. I do not know either. In what banks were your loans placed, secured by the T. C. I. stock as collateral?

Mr. SCHLEY. Why, in a number of the banks. There may have been 20 or 25 of them. I can not tell. I didn't look that up. The situation was such——

Senator CULBERSON. One other question. Have you or your firm been unable to meet the demands made upon you for the payment of any loans having the Tennessee Coal & Iron stock or other securities as collateral up to the 1st of November, 1907?

Mr. SCHLEY. No; nor since.

Senator CULBERSON. I beg your pardon.

Mr. SCHLEY. We have always met every call for every loan that has ever been made.

Senator CULBERSON. I believe you have already said that you only borrowed about $5,000,000?

Mr. SCHLEY. It may be 6,000,000.

Senator CULBERSON. Between five and six million dollars, with this stock as collateral. What percentage of this stock was given to secure that five or six million dollars of the T. C. I. Co.?

Mr. SCHLEY. Why, we generally put it in loans at about par, sometimes less, and then that loan was protected with 30 per cent. Our loans always averaged 30 per cent.

Senator CULBERSON. Did your firm, in its own right, own as part of its assets on the 4th day of November, 1907, a majority of the stock of the Tennessee Coal & Iron Co.?

Mr. SCHLEY. The firm never owned any Tennessee Coal & Iron stock.

Senator OVERMAN. How much did you hold as agents for others?

Mr. SCHLEY. A large amount, beyond these questions of the loans. Some of these gentlemen left their stock with us, which we put in a safe-deposit box for safe-keeping.

Senator OVERMAN. For what purpose?

Mr. SCHLEY. For safe-keeping.

Senator OVERMAN. Did Mr. Thorne leave his stock with you for safe-keeping?

Mr. SCHLEY. No; Mr. Thorne took his stock and paid for it.

Senator OVERMAN. Did you not have his stock?

Mr. SCHLEY. No; he took his stock away.

Senator OVERMAN. Did you not issue him a certificate for his stock and hold it?

Mr. SCHLEY. No; he took up the stock and paid for it and took it away, simply agreeing not to sell it. That is about all. I had several of those gentlemen there who left this stock with us, because it was more convenient for them, possibly, and they had confidence to leave it there. It was put in safe-keeping in a separate box.

Senator CULBERSON. Mr. Schley, you may have answered it heretofore, but what I want to get at is how much of this stock, so far as your firm was concerned in any relationship, had been hypothecated as collateral on or about November, 1907?

Mr. SCHLEY. I should say perhaps from 90,000 to 105,000, on the basis of the total of those loans being 5,000,000 or 6,000,000. I had my boys look that up yesterday at the office; so that, borrowing on such stock as we had, as the office was loaning on to other people, we would reborrow in the banks that amount.

Senator CULBERSON. As far as you know, how much of the $30,000,000 of stock of the Tennessee Coal & Iron Co. in November had been hypothecated as collateral?

Mr. SCHLEY. I can not tell the total.

Senator CULBERSON. About how much?

Mr. SCHLEY. I can't go beyond my own knowledge.

Senator CULBERSON. About how much? Of course, I mean within your knowledge.

Mr. SCHLEY. I have no knowledge beyond Moore & Schley.

Senator CULBERSON. Well, how much?

Mr. SCHLEY. Five or six million dollars, 100,000 shares, perhaps 110,000. Some days it was one amount and some days it was another, because the people got so they did not like the stock as a collateral. That was the trouble.

Senator CULBERSON. About $5,000,000?

Mr. SCHLEY. About $6,000,000.

Senator CULBERSON. You have already stated that your firm did not hold as assets of the firm a single dollar of this stock?

Mr. SCHLEY. No; they were not subscribers and they did not buy any of the stock.

Senator CULBERSON. They did not, therefore, hold it as a part of their assets?

Mr. SCHLEY. They did not own it. It could not be their assets without they owned it.

Senator CULBERSON. By reason of the ownership of this stock, therefore, there being no ownership, your firm was not in danger on account of this T. C. I. stock, was it?

Mr. SCHLEY. The situation was a very bad situation, Mr. Culberson. It is a difficult thing to demonstrate, because there is an unwritten history of these things always. The loans may be protected one day, but the fears and doubts in people's minds make you prepare for another condition the next day, if you are careful. There is danger in what might happen. Moore & Schley always, as I told

you before, never had a call on them for a loan but what they always have met it, and Moore & Schley had large assets in their box beyond the margin of the loans, fully margined, say, 30 per cent, perhaps more in instances.

Senator CULBERSON. Recurring to your testimony heretofore given, I think you have said that only five or six million dollars of the stock of the Tennessee Co. had been pledged as collateral for money borrowed by you or your firm.

Mr. SCHLEY. No; I said about 100,000 shares, on which I had borrowed five or six million dollars—approximately 100,000.

Senator CULBERSON. You also said your firm did not hold any of this Tennessee stock as assets. Now, had your firm loaned any money and taken as collateral any of this stock?

Mr. SCHLEY. Yes.

Senator CULBERSON. How much?

Mr. SCHLEY. I don't know the amount, but it was larger than that.

Senator CULBERSON. Larger than the 100,000 shares?

Mr. SCHLEY. Larger than the 100,000 shares we had loaned upon, but 100,000 shares was about all we could place in loans outside to reimburse ourselves with.

Senator CULBERSON. In addition to the collateral of the Tennessee Coal & Iron stock you had other securities, I think you said?

Mr. SCHLEY. Oh, yes; very many others. As I testified, perhaps to a total of $33,000,000.

Senator OVERMAN. Was there any pressure to take up the Tennessee Coal & Iron collateral on the five or six million dollars you had borrowed?

Mr. SCHLEY. Constantly. It got to be so, as I just remarked, that we were loaning more than this amount, and carrying for customers more than 100,000 shares. One hundred thousand represented about what we were able to keep out in our loans, and as the panic developed, a great deal of this stock was being taken from the market, and the quotations were infrequent, and they were wide apart, too. There was nobody buying it or selling it, as so much of it was out of the market, taken out by this operation, and in the development of the panic the banks declined to loan upon a security where the market was so apparently nominal. That is reasonable in a sense, too, because no bank is to be criticized who would not loan upon a security that did not have an immediate market. In those times, you know, they all got more or less cautious. So I would have continual calls—"please take this Tennessee out of that loan," and so forth. So that it became a very serious matter.

Senator CULBERSON. Would that situation have been relieved if they had simply taken that 100,000 shares of stock and stopped there?

Mr. SCHLEY. Who do you mean by "they"?

Senator CULBERSON. I mean the Steel Corporation.

Mr. SCHLEY. Well, that was not considered.

Senator CULBERSON. I understand, but I am asking you.

Mr. SCHLEY. Oh, yes; if I had had five or six million dollars in real money, I would have been happy enough.

Senator CULBERSON. Would the situation have been relieved if they had deposited 5 per cent steel bonds as collateral for the Tennessee stock, on these five or six million dollars of loans? In other

words, would not the transfer of that amount of steel bonds at that time have satisfied the demand of these banks where you had borrowed five or six million dollars?

Mr. SCHLEY. If that could have been done, I suppose it would have relieved the situation very much, but that is hardly practical in business. The people who owned this Tennessee stock believed in it, and would have liked to keep it; but there was hardly a man of the whole party but was depressed more or less by the terrible condition of affairs, not only financially, but in his mind, and you could not have taken the minority of that stock or any specified smaller sum without including all. Moore & Schley were dealing, say, with John Smith, loaning him money on his Tennessee stock, and Mr. Robinson's stock could not have been taken out and John Smith's left. We in our capacity holding it together would have found it almost impossible to arrange for an exchange of that kind. The practicability of it never was suggested. I never thought of it before.

Senator CULBERSON. Is it reasonable to suppose that the Steel Corporation would have listened to such a proposition as that?

Mr. SCHLEY. I could not answer that. It was not considered. I never though of it before. It was natural to consider that when they took it they wanted the control. I doubt if the Steel Corporation would have wanted any interest in the property, leaving the control out of their own hands. I am speaking of the practicability of the suggestion.

Senator CULBERSON. As a banker, Mr. Schley, with the knowledge you have of the T. C. I properties, do you believe the acquirement of these properties by the Steel Corporation at the price they paid for them added materially to the value of the steel securities?

Mr. SCHLEY. Yes.

Senator CULBERSON. There was, as I understand you, no desire on the part of the holders of the majority of the Tennessee Company to sell. They bought the stock for the purpose improving the property and conducting it as an independent business.

Mr. SCHLEY. Except under the pressure that arose there when the panic appeared. Hardly any individual was exempt from pressure.

Senator CULBERSON. I believe you have already said that you think the statement of facts published in this forty-seventh report by the committee of which you were a member was substantially correct?

Mr. SCHLEY. I so regard it.

Senator CULBERSON. This Tennessee Co., about November, 1904, was engaged in manufacturing iron and steel and sending it out to other States and countries?

Mr. SCHLEY. Yes; but they did not have much diversified products, and it left only a small profit.

Senator CULBERSON. I notice this statement in the forty-seventh annual report of the Tennessee Co.:

> The knowledge that your executive committee has acquired as to the tonnage and character of the iron ore, coal, and limestone owned in fee simple by your company satisfies them that in wealth of raw materials required for the manufacture of iron and steel your company ranks second to only one in the world and is far in advance of any other iron or steel producer in cost of assembling its raw materials for manufacture.

Mr. SCHLEY. I believe that.

Senator CULBERSON. You think it is correct?

Mr. SCHLEY. Yes; but it should be remembered that in 1903 and 1902, years before, the same condition existed. It is the development that brings the returns.

Senator OVERMAN. The T. C. I. Co., having the iron and coal and limestone right at its doors, was the chief competitor of any steel and iron company in this country, was it not?

Mr. SCHLEY. Well, I am not a steel man or an iron man, but I was associated with Mr. Hanna, Mr. Oglebay, and Mr. Gates, and I have a high respect for their knowledge. They hardly regarded Tennessee Coal & Iron in those days as a competitor of the Steel Co., because of the differential in freight rates. We sold some pig iron up in Ohio, but freight rates are about $3.

Senator OVERMAN. You were selling steel and iron right in the territory of the United States Steel Co.?

Mr. SCHLEY. In small amounts. Principally we had to deal with our own territory because of the freight rates. I remember that the freight rate to New York was $4.60 a ton, which was prohibitive.

Senator CULBERSON. I noticed this other general statement in the report I have referred to:

> While a general rehabilitation of the old equipment has been taken care of by liberal maintenance, your executive committee has realized the necessity of increased steel and rail productive capacity, and have authorized the construction of a modern steel works and rail mills. These extensive improvements are expected to double your steel output and rail capacity and radically reduce your cost of production. The benefits expected from these additions to plant will not be operative until the last half of 1907.

Mr. SCHLEY. Well, delays always will occur. That was not completed. It was in course of construction. It was not completed until well along in 1908 for practical purposes. We had hoped to get started before that time.

Senator CULBERSON. The company and the management of this association of gentlemen, or syndicate, whatever you may call it, had expended something like six and a half million dollars in improvements, had it not? I believe you stated that. I notice it in the report.

Mr. SCHLEY. By its directors and executive committee. I could not say it was this association of men.

Senator CULBERSON. For the present, at least, that is all I care to ask Mr. Schley.

Senator KITTREDGE. How nearly completed were the contemplated improvements of the Tennessee Coal & Iron Co. on November 4, 1907?

Mr. SCHLEY. I can't tell you when the work in course of construction was completed. I lost all knowledge of it after we left. Of course I was very busy for some time after that, but I think the rail mill, which was our most important item to be completed, from what I read in the papers, commenced to make rails in May, 1908—in May or June. That is hearsay.

Senator CULBERSON. What other improvements were, in November, 1907, contemplated and not completed?

Mr. SCHLEY. They were very general, touching the coal mines, the iron mines, for the economical extraction of ore, and many small general improvements, machine shops, and so forth.

Senator KITTREDGE. State, generally, the location of your ores, coal mines, and lime, as related to each other.

Mr. SCHLEY. The great majority of these were within a radius of 30 miles around Birmingham.

Senator KITTREDGE. After your contemplated improvements were completed, what, in your judgment, would have been the cost of production of property of the Tennessee Coal & Iron Co. as compared to other steel companies?

Mr. SCHLEY. I am not a steel nor an iron man, and that would be beyond me to predict.

Senator KITTREDGE. Had you a knowledge given you by steel men on the subject?

Mr. SCHLEY. The general conclusion that we drew was that there would be great economies brought about, but I don't know that I had ever had it figured out.

Senator KITTREDGE. In other words, when all your contemplated improvements were completed, that you would be able to manufacture cheaper than any other steel company in the country?

Mr. SCHLEY. That was the general idea I had conveyed to me.

Senator KITTREDGE. That is your understanding now, is it?

Mr. SCHLEY. Yes; I believe that is so.

Senator OVERMAN. Was Moore & Schley a corporation?

Mr. SCHLEY. No.

Senator OVERMAN. It was not a corporation?

Mr. SCHLEY. Not a corporation.

Senator OVERMAN. What was your business?

Mr. SCHLEY. We buy and sell securities and do a general banking business.

Senator OVERMAN. Do you act as agents for corporations?

Mr. SCHLEY. Yes.

Senator OVERMAN. You have given the names of the holders of these 118,000 shares. State whether or not if this merger, or whatever you call it, or absorption of the stock by the United States Steel Co.—any of these men, and which of them, would have been financially embarrassed if it had not gone through.

Mr. SCHLEY. That is a question it would be very difficult to answer.

Senator OVERMAN. These men are some of the richest men in the country, are they not?

Mr. SCHLEY. Yes; some of them are.

Senator OVERMAN. Are not most of them the wealthiest men in the country?

Mr. SCHLEY. I can hardly say that would be so.

Senator OVERMAN. Would you say that any of them would have been financially embarrassed if this deal had not been accomplished?

Mr. SCHLEY. If the loans that Moore & Schley had on these stocks had been called by the banks I can not tell you what would have resulted.

Senator OVERMAN. Had there been any call at that time by the banks?

Mr. SCHLEY. They were calling continuously.

Senator OVERMAN. Had there been any call upon these men?

Mr. SCHLEY. Moore & Schley were acting as their agents. I called upon some of them who did not respond.

Senator OVERMAN. At the time this deal was accomplished, were they calling upon you then to put up other securities?

Mr. SCHLEY. Oh, yes; every day.

Senator OVERMAN. Instead of T. C. I.?

Mr. SCHLEY. Yes.

Senator OVERMAN. You held this stock for these particular individuals?

Mr. SCHLEY. For them and many others—not for all those. I have told you many of those paid for their stock and took it away. Some of those that you speak of there took up their stock and took it away.

Senator OVERMAN. Was there any call made on O. H. Payne?

Mr. SCHLEY. No; it was not necessary. He paid for his stock.

Senator OVERMAN. So he would not have been embarrassed?

Mr. SCHLEY. No.

Senator OVERMAN. Neither would Mr. Hanna?

Mr. SCHLEY. No.

Senator OVERMAN. I do not suppose Mr. Schley would have been?

Mr. SCHLEY. Mr. Schley was trying to borrow money on his stock.

Senator OVERMAN. He would have had no trouble in borrowing it? Mr. J. B. Duke certainly would not have been embarrassed.

Mr. SCHLEY. No; Mr. Duke is in business, though. Very few gentlemen have any considerable amount of money in cash.

Senator OVERMAN. What was the price you people paid for this stock—this syndicate, we will call it?

Mr. SCHLEY. One hundred and ten.

Senator OVERMAN. At what price did you sell it?

Mr. SCHLEY. Par.

Senator OVERMAN. So you were selling this stock during the panic at par?

Mr. SCHLEY. Yes, sir.

Senator OVERMAN. Your effort in trying to sell it was not especially to stem any crisis that was in the market, was it?

Mr. SCHLEY. That was the only object I had, to be exactly accurate about it.

Senator OVERMAN. Well, how? Were you not acting for yourselves and not for the others, then?

Mr. SCHLEY. For the others? I consulted verbally with many.

Senator OVERMAN. I understood you to say that a good many of these men would not have been embarrassed at all?

Mr. SCHLEY. That is what I say.

Senator OVERMAN. So it was not in the interest of saving them from embarrassment?

Mr. SCHLEY. Not those particular ones you mention.

Senator OVERMAN. I hate to mention them in the record here.

Senator CULBERSON. That list will go in the record.

Senator OVERMAN. I am talking about these men who held 118,000 shares, the majority of the stock. You have given me a list of the holders of a majority of this stock. I wish you would tell me which men, if any of them, would have been financially embarrassed if this deal had not gone through, as individuals.

Mr. SCHLEY. That I can not answer.

Senator OVERMAN. Are there any of them?

Mr. SCHLEY. That I can not answer.

Senator OVERMAN. If you can not answer that question, then it was not your purpose in securing this deal to save any of these particular individuals from financial embarrassment?

Mr. SCHLEY. No; I have not said so. I said Moore & Schley were borrowing money to a large amount and the calls were being made upon them. I can't state what would have happened to Moore & Schley if these calls had continued. It got to a dangerous point.

Senator OVERMAN. It was stated here that it was to save somebody from financial embarrassment, or some firm. I understand your firm held no stock, so they would not have been financially embarrassed as a firm, would they?

Mr. SCHLEY. They would, most decidedly. They were borrowing money, five or six million dollars. If they had been asked to pay that five or six million dollars, they would have been embarrassed.

Senator OVERMAN. I understood you were asked to pay it.

Mr. SCHLEY. We were asked every day.

Senator OVERMAN. You were asked to put up security for the loans you had?

Mr. SCHLEY. We were asked to take out this Tennessee Coal & Iron and put up the money. It got to be a very dangerous situation.

Senator OVERMAN. How much did you hold individually?

Mr. SCHLEY. Of the stock, altogether?

Senator OVERMAN. Yes.

Mr. SCHLEY. Probably 25,000 shares.

Senator OVERMAN. I notice you are down for 10,000.

Mr. SCHLEY. Others held the stock aside from these people.

Senator OVERMAN. Outside of this, then, there would not have been anybody else especially embarrassed?

Mr. SCHLEY. There would have been a great many others embarrassed.

Senator OVERMAN. Of this list here?

Mr. SCHLEY. I told you I didn't know how they would have been embarrassed. It was not what occurred that day. It was what would happen the next day.

Senator OVERMAN. Would any of them have been embarrassed the next day?

Mr. SCHLEY. I couldn't say that. We had right in front of us a fear and a doubt.

Senator OVERMAN. You were looking out for yourself as an individual rather than for these men here, to save them?

Mr. SCHLEY. No; I was looking out for the situation. That took in those loans of Moore & Schley and other loans. That is a fact.

Senator OVERMAN. So you approached Mr. Ledyard, who was attorney for Morgan, was he not?

Mr. SCHLEY. I don't know that he was attorney for him; he was a friend.

Senator OVERMAN. I want to ask you whether or not you had any interest in the United States Steel Co. yourself?

Mr. SCHLEY. Not a dollar.

Senator OVERMAN. Did any of these gentlemen named here?

Mr. SCHLEY. I don't think so. They may have.

Senator OVERMAN. Were they interested as stockholders or otherwise, do you know?

Mr. SCHLEY. I doubt it. I don't think so.

Senator CULBERSON. Mr. Schley, I understand you to say that although calls had been made upon your firm, you had always responded up to the 4th of November, 1907?

Mr. SCHLEY. Yes. When it developed, everyone I talked to in connection with his holdings was willing, under the pressure that was brought upon all, to sell that stock at par, and when I went to Mr. Ledyard and asked him to make these negotiations, it began. Then Mr. Frick and Mr. Gary came to me in the course of it, and it developed so that in the following days it was known to the public. I can't tell what would have happened to Moore & Schley or to anybody else in that street, because we were oppressed by rumors, some of them untrue, but Moore & Schley were the subject of attack, serious attack, and their credit, which is the life of the business, was being destroyed. It was a matter of serious import. It had to be disposed of if it could be. I don't mean for Moore & Schley, but for people about them, others interested, not those particular individuals of great wealth.

Senator DILLINGHAM. What was the effect of the purchase of the stock by the Steel Co. upon the market?

Mr. SCHLEY. It relieved the situation most decidedly, not only with M. & S., but with everybody about. The rumors were flying tremendously about, and nobody can escape those, you know. They may be true or untrue, and they affect the credit of this institution or that. It was especially so with us at that time, after this negotiation started, and it took a week. Why, there was $7,000,000 of loans called on us in three days.

Senator CULBERSON. Was it generally known on the street, as you call it, that your firm, in the relationship that you have suggested, was dealing in the Tennessee Coal & Iron?

Mr. SCHLEY. Yes; for some time it had been talked that Moore & Schley were holding that stock—a wrongly based rumor, because these facts I tell you are absolutely true. But the pressure was there, and I don't know of any panic in a great many years when they have not been pounded a little, and other houses that have real basis behind them.

Senator CULBERSON. You say your relationship to this stock was generally known in the street?

Mr. SCHLEY. Yes.

Senator CULBERSON. And you say there was special pressure, as I remember your testimony, on your firm?

Mr. SCHLEY. Yes.

Senator CULBERSON. Special rumors about your firm?

Mr. SCHLEY. Yes.

Senator CULBERSON. Just a suggestion or a word on Wall Street can produce pressure on a firm, can it?

Mr. SCHLEY. Well, a word is generally followed by an extensive rumor. You can tell from the directory of Tennessee Coal & Iron—those men for 10 years have been associated with me.

Senator CULBERSON. At the time of the panic in the fall of 1907 did the same gentlemen whose names you have furnished the committee and which appear in the record—16 of them—hold a majority of the stock of this company?

Mr. SCHLEY. Yes.

Senator CULBERSON. Did those men pay for the stock that was in their name?

Mr. SCHLEY. A few of them.

Senator CULBERSON. A few of them, you say?

Mr. SCHLEY. Well, I should think half of them, but there were others that had bought the minority stock. That was held around in different places with us, and some with different people, making that pressure so extensive.

Mr. THACHER. If I may be allowed to interrupt, they had all paid for their stock and then some borrowed on it?

Mr. SCHLEY. Yes; they had all paid for their stock, and then some of them had borrowed money on it.

Senator CULBERSON. Some of them had borrowed money on it?

Mr. SCHLEY. Yes.

Senator CULBERSON. Were any of these men who were borrowing money on their stock of the Tennessee Coal & Iron Co., so far as you know, embarrassed at that time?

Mr. SCHLEY. Many of them. All of them to whom Moore & Schley had loaned money had been asked by Moore & Schley again and again to take it up, but it was difficult for them to place the accounts somewhere else.

Senator CULBERSON. That is, some members of this syndicate and others?

Mr. SCHLEY. Some members, and some of the others.

Senator CULBERSON. Your firm, Mr. Schley, is a brokerage firm?

Mr. SCHLEY. We buy and sell stocks; yes.

Senator CULBERSON. You deal on the stock exchange?

Mr. SCHLEY. Yes, sir.

Senator CULBERSON. That is your principal business, really, is it not?

Mr. SCHLEY. It is a part of our business. I should not say it is the principal part. We do a considerable banking business for other people.

Senator CULBERSON. By banking business, do you mean that you loan money? Are you a bank of deposit?

Mr. SCHLEY. No; we would not take deposits. Not in the regular sense of deposits, but we are in different kinds of business matters which require financing and general help in financial ways, and in that sense we do both. We buy and sell stock. That is not very attractive to me.

Senator CULBERSON. I will ask you whether or not these individual members of the syndicate who had borrowed money on their stock were not good for the loans in and of themselves, aside from the stock?

Mr. SCHLEY. I would say there was not a loan on hand but what I believed to be good in that sense, but it was the inability to get money at that time, especially on that kind of collateral.

Senator CULBERSON. Did you see any money of the Steel Corporation around in this deal?

Mr. SCHLEY. No.

Senator CULBERSON. The great desideratum was cash, at that time, was it?

Mr. SCHLEY. The price that I mentioned all the time in the negotiation, which was very short, with Mr. Frick and Mr. Gary was par in cash, and the settlement was made finally by paying us bonds on the basis of par in cash. The bonds, I believe, were priced at 84,

the then quotation, which gave us $11,904.76 in bonds for 100 shares of Tennessee Coal & Iron stock.

Senator OVERMAN. How much did you increase the stock after you bought it? I did not hear that.

Mr. SCHLEY. We made three calls, one of 15 per cent payable in five installments, I think, another of 15 per cent, and the last installment was made 12½ per cent.

Senator OVERMAN. Could you tell the amount of stock that was issued in addition to the old stock when you purchased it?

Mr. SCHLEY. That would be 15 per cent of the $22,500,000, and then 15 per cent of the additional amount.

Senator OVERMAN. You gave 110 per cent for the old stock and you got par for the old and the new combined?

Mr. SCHLEY. That reduced our cost to 107, from 110.

Senator OVERMAN. From 110 to 107?

Mr. SCHLEY. Yes; about 7 and a fraction.

Senator OVERMAN. So you got within $7 of what you paid for it?

Mr. SCHLEY. That is right.

Senator OVERMAN. Of these 16 men here, how many of them had borrowed money from you on this stock?

Mr. SCHLEY. Some of them, but very few of them.

Senator OVERMAN. How many of them; could you tell without naming them?

Mr. THACHER. In 1907, you mean, do you not?

Senator OVERMAN. Yes.

Mr. SCHLEY. Well, I am not sure, but I think about five, at that time.

Senator OVERMAN. About 5 of the 16 had borrowed?

Mr. SCHLEY. Yes; five or six. I may be wrong about that.

Senator OVERMAN. Just approximately. So only five of the syndicate had borrowed money from you?

Mr. SCHLEY. Yes.

Senator OVERMAN. Were they the small holders or the large holders of the stock who borrowed the money?

Mr. SCHLEY. I can not answer that intelligently, what that total was.

Senator OVERMAN. Were any of them the men who held 10,000 shares?

Mr. SCHLEY. Several of them, at the start, owed quite a little money.

Senator OVERMAN. On the 7th of November?

Mr. SCHLEY. Afterwards they got around and took them up. I don't know what the date was when they paid them off.

Senator OVERMAN. About the 7th of November, were any of those men who held 10,000 shares borrowers from you?

Mr. SCHLEY. Some of them; for a smaller amount, you know. Some of them got themselves around after a period. I can not answer that intelligently until I look, because a good many of them owed me at first. Then within a reasonable time they made payment.

Senator OVERMAN. I am speaking of this time.

Mr. SCHLEY. I can not answer that intelligently. I did not look at that at all.

Senator CULBERSON. In November, 1907, was the majority of this stock in hock anywhere?

Mr. SCHLEY. I can't tell that. I know what we were loaning, but other people had taken their stocks away.

Senator CULBERSON. Was not the majority of the stock represented by the list you have furnished this committee, in November, 1907, in hock anywhere, so far as you know?

Mr. SCHLEY. I can't tell.

Seantor CULBERSON. So far as you know.

Mr. SCHLEY. As far as I know, I can't tell. I know what we were borrowing. I can't tell what others were borrowing.

Senator CULBERSON. You were not borrowing on a majority of the stock?

Mr. SCHLEY. No.

Senator CULBERSON. Did the men who held a majority of the stock want to sell it?

Mr. SCHLEY. I consulted with those individuals, about all of them, verbally, before that, and before the pressure was brought upon everybody; they assented. Then I sent Mr. Ledyard to find out.

Senator CULBERSON. Mr. Schley, is it not a fact that the holders of a majority of the stock merely consented to the sale because they were in this syndicate and consented to the sale in the interests of a majority of this group?

Mr. SCHLEY. I can't read their minds, so far as that. I know they were all willing, under the pressure, to do this.

Senator CULBERSON. And under the gentleman's agreement they had, they were willing to——

Mr. SCHLEY. There was more money to be put in, and everybody dreaded that. Conditions were very bad.

Senator CULBERSON. You spoke to John W. Gates, did you not?

Mr. SCHLEY. He was abroad about that time, for three months before that. He didn't get back until election day.

Senator CULBERSON. He was abroad at that time?

Mr. SCHLEY. Yes, sir; he was gone three months.

Senator CULBERSON. Was his stock put into this?

Mr. SCHLEY. No, sir; he paid for his stock originally.

Senator CULBERSON. You do not know whether he went into it afterwards?

Mr. SCHLEY. Yes; he came back and talked to me about it. It was the only thing to do, he said.

Senator CULBERSON. I read an interview with him.

Mr. SCHLEY. He told me to put his stock in. He didn't get here until after the sale was negotiated, although not concluded.

Senator CULBERSON. Well, Mr. Gates was not in this country, and did not go into this deal originally, as to the Steel Corporation?

Mr. SCHLEY. When he came back, he assented.

Senator OVERMAN. Did you have any authority to put him in?

Mr. SCHLEY. Nobody had any authority to put him in.

Senator OVERMAN. You were not acting as agent for these men?

Mr. SCHLEY. No, sir; his individual stock belonged to him, the same as everybody's.

Mr. THACHER. Pardon me, Mr. Schley. Mr. Gates got back on election day, before this thing was closed.

Mr. SCHLEY. Well, it was closed the next day. It was finally decided by the full board of the steel company, I believe, on the following day—on Wednesday.

Senator CULBERSON. In the consultation with Judge Gary and Mr. Frick and Mr. Morgan, or whoever you had the conversation with about this——

Mr. SCHLEY. I never talked to Mr. Morgan about it; only with Mr. Frick and Mr. Gary.

Senator CULBERSON. Did they say anything about seeing the President on the subject?

Mr. SCHLEY. About what?

Senator CULBERSON. About seeing the President of the United States on the subject.

Mr. SCHLEY. No; I didn't know anything about that until afterwards.

Senator CULBERSON. Did you talk with Mr. Perkins on or about the 5th of November, 1907?

Mr. SCHLEY. I saw him several times.

Senator CULBERSON. Did he say anything about an arrangement they had made with the authorities at Washington on the subject?

Mr. SCHLEY. No; I knew nothing about that.

Senator OVERMAN. Did you have any voting power on this stock—Moore & Schley?

Mr. SCHLEY. No; each man voted his own stock.

Senator OVERMAN. You were not authorized to vote in any meeting for these men?

Mr. SCHLEY. Excepting that they handed their proxies in.

Senator OVERMAN. You held their proxies?

Mr. SCHLEY. Some of the stock I was carrying was left in Moore & Schley's name.

Senator OVERMAN. Who was the president of the T. C. I. Co. at the time of the absorption?

Mr. SCHLEY. Mr. Topping was the chairman of the board. I don't know that there was any president. There was a period there when we did not have a president.

Senator OVERMAN. Did Mr. Baker have any connection with it?

Mr. SCHLEY. George F.?

Senator OVERMAN. Yes.

Mr. SCHLEY. No; not the slightest.

Senator OVERMAN. Was he at any time president of the company?

Mr. SCHLEY. Oh, never. I don't think he had any interest in it.

Mr. THACHER. There was another Baker, was there not?

Mr. SCHLEY. No; Bacon. Don Bacon.

Senator OVERMAN. Where does he live?

Mr. SCHLEY. He came from the Mesabi Range originally. He was an iron man.

Senator OVERMAN. Did he live in New York?

Mr. SCHLEY. I don't know.

The CHAIRMAN. Senator, if the examination is not to proceed much further, I would like to go up to the Senate Chamber and attend to some morning business.

Mr. CULBERSON. Mr. Schley, you do not contemplate returning before the 4 o'clock train, do you?

Mr. SCHLEY. I do not contemplate returning until you get through with me, of course.

(The subcommittee thereupon, at 12 o'clock meridian, took a recess until 3 o'clock p. m., and at 3 p. m. adjourned.)

No. 17

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

AUGUST 3, 1911

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

THE UNITED STATES STEEL CORPORATION.

SPECIAL COMMITTEE ON THE INVESTIGATION
OF THE UNITED STATES STEEL CORPORATION,
New York, Thursday, August 3, 1911.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

There were also present Messrs. Bartlett, Littleton, Beall, McGillicuddy, Young, Sterling, and Danforth.

The CHAIRMAN. The committee will resume its session.

STATEMENT OF JOHN A. TOPPING.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Mr. Topping, what is your business?

Mr. TOPPING. I am chairman of the Republic Iron & Steel Co.

The CHAIRMAN. Of the Republic Iron & Steel Co.?

Mr. TOPPING. Yes, sir.

The CHAIRMAN. How long have you been in the iron business in one form and another?

Mr. TOPPING. Since 1877.

The CHAIRMAN. Have you had much practical experience in mining and the manufacture of products of iron and steel?

Mr. TOPPING. Not in a technical sense, but in a general business managing sense only.

The CHAIRMAN. I am speaking of the practical sense?

Mr. TOPPING. No.

The CHAIRMAN. What positions have you held in the steel mill?

Mr. TOPPING. Along commercial lines principally, most all positions from the bottom to the top.

The CHAIRMAN. With what companies have you been associated and in what capacity?

Mr. TOPPING. I was first connected with the Aetna Iron & Steel Co.

Mr. YOUNG. What company?

Mr. TOPPING. The Aetna Iron & Steel Co. My first business connection was with the Aetna Iron & Steel Co., Mr. Chairman, and that was in 1877, which company I entered in a very minor capacity as a boy.

The CHAIRMAN. As what?

Mr. TOPPING. As a boy. I held most all positions in that company to paymaster, and I left the company at the time of the merging of the various companies now representing the great companies of the day. I was president of the company. I have also been connected as president with the La Belle Iron Works.

The CHAIRMAN. Where are they located?

Mr. TOPPING. At Wheeling, W. Va., reorganizing that company; vice president of the American Sheet & Steel Co. I was president of the American Sheet & Tin Plate Co., and also chairman of the Tennessee Coal, Iron & Railroad Co. at the time of the sale.

The CHAIRMAN. You were chairman of the board of directors of the Tennessee Coal & Iron Co. and of the Republic Iron & Steel Co. at the time of the absorption of that company?

Mr. TOPPING. I was.

The CHAIRMAN. Were you a member of the syndicate which procured a controlling interest in the stock of the Tennessee Coal & Iron Co.?

Mr. TOPPING. I was.

The CHAIRMAN. You were chairman of the board of directors of that company?

Mr. TOPPING. I was.

The CHAIRMAN. I will ask you to state to the committee in a general way what were your reasons for taking stock in this company or becoming a member of the syndicate and assuming the active charge of the operations of that concern?

Mr. TOPPING. Mr. Chairman, the proposition came to me as a business proposition; that is, the first incentive to take charge of the company in its reorganization and general rehabilitation, and as chief executive officer of that company I felt I should become identified with it in a stockholding sense at the same time, which I did. Of course, I did not do that until I had satisfied myself that it was a business venture which justified me and which was a proper one for me to engage in.

The CHAIRMAN. What investigation did you make and what conclusion did you come to in that matter?

Mr. TOPPING. My personal investigation was not made really until after I became identified with the syndicate; but I, as others, was impressed by the mineral report of the property which had been prepared some time prior to the syndicate formation by a board of engineers that you are familiar with. I knew, of course, in a general way, of the advantages of the southern location. We knew that the minerals were abundant and the material plentiful and easily assembled, and we felt, with our knowledge of the business and the capital that we believed was back of the company, that we could convert that raw material into something useful, salable, and profitable. Briefly, that is about the situation.

The CHAIRMAN. I wish you would state the personnel of that syndicate, who and haw many of the syndicate were practical iron and steel men and ore men, with knowledge of the business which you had undertaken?

Mr. TOPPING. I do not know that there was any man in the syndicate who had had general experience in iron and steel lines—that is, in what we regard as finished lines of iron and steel—except Mr. Gates. Mr. Ogleby had been in the iron-ore business for a great many years and was familiar, in a general way, with steel manufacture, as he was identified as a stockholder with smaller concerns in the Ohio Valley, as I was at the time. Mr. Hanna had been in the coal, iron ore, transportation and blast-furnace business for a great

many years. We four were the so-called practical men in that syndicate. The others were bankers and business men.

The CHAIRMAN. You speak of the natural facility for assembling the raw material. Can you tell us what was, on the average, the difference in the cost of the production of a ton of pig iron in that region and the Bessemer region, say, at Pittsburg?

Mr. TOPPING. At the time that the syndicate was formed, do you mean?

The CHAIRMAN. Say, at the time of the absorption?

Mr. TOPPING. I would say that the difference then would materially vary from the difference that now exists. There might be some difference, but in answering that question it can only be answered in a general way for this reason, that when you compare the cost of pig iron north you must take into account the difference gained in ownership of raw material and the difference between the so-called "merchant furnace" that buys all their raw material and those who may buy part and those who may not buy any, but might transport their own material. I believe that a fair reply to that question would be from $3 to $4 a ton.

The CHAIRMAN. What was the character of the holdings of the Tennessee Coal & Iron Co; were they leased holdings, or were they held in fee simple?

Mr. TOPPING. The great bulk were fee ownership, and that, of course, was a feature of advantage to any company against the leasehold privileges which we all in the North now hold in minerals, which carry with it a royalty payment for depletion of the ore reserve. The fee ownership—many of the properties having been bought many years ago at a low price of royalty, the charges would be very light, and that, together with the assembling of the material, would be the chief advantages in the cost of production.

The CHAIRMAN. What is the difference between the cost to the fee holder at the price paid either by the United States Steel Corporation or by your concern at that time and the royalties in the North?

Mr. TOPPING. I do not believe I could answer the question specifically, for the reason that we did not buy the minerals as minerals—we bought the property as a whole, and it would be a mere matter of estimate. By suggestion it might be answered in a general way by this statement: Some mineral lands have been sold in the South which would suggest that the fee ownership charge for extinguishment would not exceed 2½ cents a ton, so if you take that as a basis, and allow substantially 3 tons of ore for a ton of pig iron, and it is not quite that, but substantially so, you would have a charge on the iron for extinguishment of the mineral of 7½ cents a ton, as against, perhaps, what might be regarded as an average general royalty North of 50 cents, where you require 2 tons of ore, which would mean $1 a ton in the pig iron cost.

The CHAIRMAN. There has been some talk here about the ores of the Birmingham region being self-fluxing. I wish you would explain to the committee what you mean by self-fluxing, and what advantage, if any, it has.

Mr. TOPPING. All the ores in the South are not self-fluxing. There are different grades of ores, as there is in the North. We have, however, quite a large deposit South known as fossiliferous ore, that runs

high in lime, from 18 to 20 per cent in lime. There are other red ores in the South known as soft ores, or silicious ores, that carry from 2 to 4 per cent of lime only. Then we have again what are known as the brown ores, which do not carry any lime whatever, or at least a nominal amount. So, when you figure on a self-fluxing ore all of the furnaces South do not operate on that basis. I think that the Sloss-Sheffield Iron & Steel Co., and perhaps the Woodward Iron Co., are substantially the only furnaces there that are working strictly on a self-fluxing ore basis. That means that they do not use any limestone, and of course that means that there would be less coke required to smelt a ton of ore that carries lime in combination with metallic iron than it would if you had the metallic iron in combination with silicious matter, which in turn requires limestone to flux it, or to flush it, to put it in a layman's language.

The CHAIRMAN. Have you ores in the Birmingham district that require no additional limestone besides the lime carried in the ore?

Mr. TOPPING. Our company has, but we have not enough to maintain a self-fluxing mixture. My recollection is that our best practice South is based on an approximate 60 per cent mixture of what we call hard ore, or fossil ore. A certain proportion of brown and so-called soft red ores we would use about 200 pounds of limestone and dolomite, which is a form of limestone carrying magnesia in combination. That mixture would require about 200 pounds of limestone, as against, perhaps, from ten hundred to twelve hundred pounds of limestone that would be used in an ordinary mixture, having, of course, the same ore and the same amount of silicious matter in it to be fluxed.

The CHAIRMAN. I will ask you to explain what was the financial and physical condition of the Tennessee Coal & Iron Co. when you took charge of it?

Mr. TOPPING. As to its financial condition, it was entirely solvent, as I recollect, and it had been earning about $1,000,000 net for dividends the year of our purchase, I believe.

Mr. BARTLETT. Was it not over a million dollars?

Mr. TOPPING. It may have been.

Mr. BARTLETT. About $1,400,000?

Mr. TOPPING. No; not at that time, Mr. Barlett, at the time of the purchase. I have a statement here of the year ending December, 1906; that is the year following the purchase. My recollection is that the net profits at that time were about $1,000,000; that is, for dividend purposes. It might vary a few hundred thousand dollars one way or the other; but I think that is right. Their net working capital over and above their current liabilities was something over $1,000,000, and so they were entirely solvent and in a fair financial condition. But, of course, they did not have the money necessary to develop the property without financing.

As to the physical condition of the property, we found it in very poor condition; obsolete types of engines and boilers, generally poor equipment, and, I might say, it was run down at the heel somewhat.

The CHAIRMAN. What was the financial condition of the men who composed that syndicate; were they men who were abundantly able to develop the plant to the highest capacity of production?

Mr. TOPPING. I have no specific knowledge as to their individual wealth, Mr. Chairman, but they were men who were generally reputed to be men of very large means, all of them; that is the reputation they bore, and I had no reason to doubt it. I happened to know something in a general way about the men, and I think I would be right in saying that they were all men of wealth and standing, by reputation.

The CHAIRMAN. When you took charge of this plant, did you begin immediately to develop it and improve it in such a way as to make a modern concern out of it in the construction of such mills as were necessary, blast furnaces and the like?

Mr. TOPPING. Yes; in a general sense, but of course it required time. The first thing that was incumbent upon me as the organizing and general directing factor of the property was to acquaint myself with the property thoroughly, inspect it, and become more or less acquainted, necessarily, with the individuals who made up the organization. As soon as I had done that, within a reasonable time, I commenced to reorganize and made such changes in the working force as I thought proper; and, of course, made my recommendation as to what would be necessary not only to rehabilitate the plant, but to put upon the top of the ground the equivalent of the minerals that were of little value under the ground, and which I thought might be made valuable on top of the ground and into something useful and merchantable.

The CHAIRMAN. How much money was put into the improvement of this plant from your profits and from other sources?

Mr. TOPPING. I can not answer that question specifically as to the exact amount put in from profit. We were earning net for dividends on the common stock something over $1,500,000 under my management. That, of course, was not sufficient to make any extensive improvements, and at the same time compensate the investors on a 4 per cent basis, which was the dividend rate that we maintained up to the time of the sale. So as the property was sufficiently bonded, we did not regard it as a practical thing to refund those bonds, we having a great deal of faith in the property, and we decided to increase the capital stock, which was done in a legal manner.

The CHAIRMAN. To what extent?

Mr. TOPPING. I think the authorized capital was brought from $22,000,0000 to $50,000,000, as I remember it, and as against that authorized capital we made two calls, as I remember, the aggregate amount of which was something like 35 per cent. That brought us in something like $8,000,000 for the improvement schedule which I had recommended.

The CHAIRMAN. How much of the proceeds of the sale of stock was put into the improvements?

Mr. TOPPING. It was set aside for that purpose, and I think about $6,000,000 was expended up to that time.

The CHAIRMAN. Have you a statement for the last fiscal year of your operations, or for that part of the last fiscal year of your operations which lapsed between the beginning of the fiscal year and the absorption of your company?

Mr. TOPPING. Yes, sir; I have, Mr. Chairman.

The CHAIRMAN. Please give it to us.

Mr. TOPPING. I have the statement that was made representing the condition of the company as it was found to be by the auditor that we employed. It was on those representations that the property was sold—as to its financial condition and also as to its unexpended appropriation obligation and the funds available for meeting those expenditures.

Mr. YOUNG. What is the date of that report, Mr. Topping?

Mr. TOPPING. I think, September 30.

Mr. YOUNG. What year?

Mr. TOPPING. 1907, Mr. Young. That is right, September 30, 1907. That statement was taken because that was the last current monthly statement issued to the board of directors by me—the sale having taken place, and not a sufficient time having elapsed to make the report for October we decided to use the September showing; and that is substantially the condition at the time the property was turned over, less such additional expenditures as would have been made, plus such profits as would have accrued from the operation, which at that time was on a very satisfactory basis. Do you want me to submit this statement or answer any general questions?

The CHAIRMAN. Make a general statement, and then submit the report to the stenographer.

Mr. TOPPING. At that time—September 30, 1907—for nine months' earnings we showed $1,482,282.28 net profit, as against net earnings for the preceding nine-month period of 1906 of $699,862.75, or a gain of about 112 per cent for the same operating period, or in dollars the net gain was $782,419.53. The net working capital—that is, the net balance of cash after discharging current obligations, was something over $2,000,000—$2,042,109.38. We had in bank at that time cash amounting to $424,352.23. The capital stock at that time was $29,072,292, in addition to a small amount of preferred stock issued by the preceding management. The bonded debt was $14,562,000. That was the condition of the report at that time, Mr. Chairman.

(The financial statement submitted by Mr. Topping follows:)

Tennessee Coal, Iron & Railroad Co. condensed balance sheet and income account, as of Sept. 30, 1907.

ASSETS.

Land, property, and construction account		$44,815,951.45
Proprietary land companies and other investments		901,194.66
Deferred charges to operations		51,217.31
Trustees of bond sinking funds		41,831.96
Treasury securities		1,076,880.00
Quick assets:		
Cash	$424,352.23	
Bills and accounts receivable	2,559,693.74	
Inventory accounts	2,495,752.71	
		5,479,798.68
		52,366,874.06

LIABILITIES.

Capital stock, common	$29,072,292.00	
Capital stock, preferred	248,300.00	
Capital stock, common-stock subscription	263,473.00	
		$29,584,065.00

Bonded debt (outstanding, less redeemed and alive in sinking fund):	
Guaranteed securities	$790,000.00
Reserve funds	244,701.36
Depreciation funds	1,276,611.38
Current liabilities	3,437,689.30
Collateral purchase notes	826,386.90
Profit and loss surplus	1,645,420.12
	52,366,874.06
Net earnings, 9 months ending Sept. 30, 1907	1,482,282.28
Net earnings, 9 months ending Sept. 30, 1906	699,862.75
Gain, 1907 over 1906	782,419.53
Per cent of gain	112
Net working assets	2,042,109.38

The CHAIRMAN. Had you at that time any orders upon your books for various supplies, and had those orders showed any increase over the preceding year?

Mr. TOPPING. I have not any data as to the comparative state of the orders, except my recollection is that we had a very full order book, and at much better average prices, larger tonnage, and we were altogether in a much more comfortable position at the time of the sale than was the case the preceding year at the same date. We had 320,000 tons of rail orders at an average price of nearly $29 a ton, and something over 97,000 tons of pig iron at an average of $18 a ton. We were also quite large sellers of coal, commercially. I do not know what that coal tonnage was. We had a number of contracts with the railroads, and the coal price was also profitable at that time. There was, of course, a substantial profit in the pig iron and coal. There was not any profit in the rails with the old equipment that we were using. That has been testified to, I believe, and is correct.

The CHAIRMAN. Would there have been a profit with a modern rail mill?

Mr. TOPPING. We believed so, and so represented to the board and the investors.

The CHAIRMAN. I believe you had the first open-hearth mill in the United States at that point?

Mr. TOPPING. I think that is correct, Mr. Chairman.

The CHAIRMAN. At the time you say these orders were on your books at $29——

Mr. TOPPING (interposing). I think the exact figures were $28.94.

The CHAIRMAN (continuing). What were Bessemer rails bringing at that time?

Mr. TOPPING. $28 in the North, I believe.

The CHAIRMAN. From whom were your largest orders for rails?

Mr. TOPPING. The largest individual order we had was from the so-called Harriman lines, the Union Pacific, and the Southern Pacific, something over 150,000 tons.

The CHAIRMAN. How long was that order in before you were absorbed?

Mr. TOPPING. I think several months, Mr. Chairman. I want to correct one statement that is an error on the part of one witness, that that was the first order we had taken from the Harriman lines. It was not the first order. We had sold them several lots. Those sales were largely trial lots, with a view to determining the character

of the rails and their quality. I think prior to that we had sold as much as 50,000 tons in one lot, and with favorable reports on the rails we were in line for the larger tonnage that afterwards came to us.

The CHAIRMAN. I see on page 32 of the Forty-seventh Annual Report of the Tennessee Coal, Iron & Railroad Co. this statement as of December 31, 1906:

The knowledge that your executive committee has acquired as to the tonnage and character of the iron ore, coal, and limestone owned in fee simple by your company, satisfies them that, in wealth of raw materials required for the manufacture of iron and steel, your company ranks as second to only one in the world, and is far in advance of any other iron or steel producer in cost of assembling its raw materials for manufacture.

The mineral reserves of coal and iron contained in your lands, as computed by competent authorities, are estimated to be 700,000,000 tons of iron ore and 2,000,000,000 of coal. Approximately, one-half of your coal supply is of a superior coking quality, and your iron ore is largely of a self-fluxing character, analyzing approximately 38 per cent metallic iron. This ore is well suited to the manufacture of high-grade foundry pig iron, and to the production of basic pig iron for use in the manufacture of basic open-hearth steel.

Is that the statement prepared by you at the time as the chairman of the board?

Mr. TOPPING. That is the statement I made to the stockholders.

The CHAIRMAN. Is that a correct statement?

Mr. TOPPING. So I believe; it was the report of our engineers, and based on their own estimate. I might say in that connection that that estimate was not based on complete drilling records, the property was not entirely drilled, and is not as yet to-day, so far as I know, but based on the tonnage produced per acre and from the opened-up properties, our own engineering or mining department believed that that was a conservative statement, and I accepted that statement for my report to the stockholders.

The CHAIRMAN. I hold in my hand a report on the Birmingham district prepared by the Commercial Club, of Birmingham, Ala., in 1907, and on page 12 of that report I find the following statement:

The ore supply of the Birmingham district is principally derived from the red fossiliferous ores of Red Mountain. The vein carrying this ore is very persistent in character, running about 22 feet thick at the outcrop, and extending under cover at an angle of from 15 to 20 degrees from the horizontal to an unknown depth. So far as developed by any of the workings, the vein maintains its good quality. Some of the slopes in the district have been driven down a distance of a thousand feet from the outcrop, and so far as gone, no deterioration of the quality or diminution of the size of the vein occurs, and no indications point in either direction. Nature has laid up here a practically inexhaustable supply for all future ages, as is apparent when it is remembered that Red Mountain carries this vein of light, good quality, and thickness for a distance of 10 miles northeast and 15 miles southwest of Birmingham. A rough calculation shows that this magnificent vein of Red Mountain ore would supply all the furnaces in the State of Alabama, if mined to a depth of only 4,000 feet, for a period of 350 years.

Is that a conservative statement?

Mr. TOPPING. I am not prepared to answer that question, Mr. Chairman. That would require accurate drilling and accurate computation as to the construction of the furnaces now in existence, or that have been in existence. I have no knowledge or data on that subject.

The CHAIRMAN. Do you know how far it has been drilled upon that vein?

Mr. TOPPING. Well, the statement made in that Commercial Club report, I assume, without knowing about it, was made as most reports are made when they are trying to boom a community, and while it is based on fact, and it might have been somewhat highly colored, or it might not have been; that is entirely speculation on my part. As to the drilling, I do not know that there was any drilled hole up to the time that I had reports, beyond possibly a mile back from Red Mountain in Shade Valley. So far as we have any records, the vein continues to dip on the same slant at which it starts at the outcrop, and we have no evidence but what it continues, based on geologic data and the expectations that follow that.

The CHAIRMAN. You have gone back several miles and struck it?

Mr. TOPPING. I would not say several miles, I think one and a half miles.

The CHAIRMAN. At what depth did you hit it then?

Mr. TOPPINGS. I do not recall; something like 1,500 to 2,000 feet, as I remember; somewhere near that.

The CHAIRMAN. What was the condition of that vein at that time?

Mr. TOPPING. About the same.

The CHAIRMAN. As to depth and quality of ore?

Mr. TOPPING. Yes, sir; about the same thing; no material difference. You are, of course, now referring to the red ore?

The CHAIRMAN. Yes, sir.

Mr. TOPPING. Which is the chief deposit in the Alabama district.

The CHAIRMAN. What markets were you reaching at the time you were absorbed, where were you selling pig iron and rails, and so forth, what zone were you reaching?

Mr. TOPPING. We had different markets for different products. So far as the rail production was concerned, which was the chief product that we were aiming at at that time, South and the Southwest, and the pig iron we sold both North and South. I should say from recollection that probably 60 per cent or two-thirds of our iron products went north of the Ohio River and the balance was consumed in the South, in local foundries, and the coal was all consumed in the South. New Orleans was a great market for us. As to finished products, we were not large in tonnage at that time. We had one rolling mill, and they made a small number of steel plates and steel bars and small rails for coal-mining uses. Those products were all sold in the South. We also produced a small amount of steel castings, all sold in the South. Generally speaking, the markets were South, with the exception of the pig iron.

The CHAIRMAN. From what territory did your orders for rails come?

Mr. TOPPING. With the exception of the Union Pacific and the Southern Pacific Railroad Co., all southern roads. We considered the Union Pacific and the Southern Pacific roads as tributary to Birmingham, as we reached them at their Galveston terminal, as I remember it.

The CHAIRMAN. I see this statement on page 20 of this report:

The growth and expansion of open-hearth steel is truly phenominal, the production in 1890 being 513,232 tons; 1895 being 1,137,182 tons; 1896 being 1,298,700 tons. The production of Bessemer steel in this country was 1,000,000

tons less in the year 1896 than in the year 1895. These facts are intended to point out to you the rapidity with which basic open-hearth steel has grown in favor at the expense of the Bessemer. For armor plate, bridge, and structural material, boiler plate, and all other purposes where great strength, durability, and ductility are required, basic steel has no equal, and realizing this to be true, the Government, as well as engineers and builders, are specifying it. Herein lies the secret of its wonderful growth. Ideal conditions prevail in the Birmingham district for the manufacture of steel by this process.

From your knowledge of conditions at that time, are those statement approximately true?

Mr. TOPPING. That general statement could only be replied to in a very general way. I would say that part of that statement is not true and part of it might be true. The growth of basic steel is not necessarily all due to the superior quality of that steel for certain purposes over Bessemer, but is due more largely, in my judgment, to the limited supply of Bessemer ores and to the constantly increasing demands for steel in various forms; and the basic-steel process has made available a large amount of ore that otherwise would not have been available, and which, had it not been for the basic process, would not have enabled us to meet this great demand for steel everywhere. There is also, in addition to the reason I have just cited, a demand for a quantity which calls for basic exclusively, on account of specifications and restrictions placed by certain engineers for roads and structural material, that is all basic necessarily for quality reasons.

The CHAIRMAN. What are the advantages of this steel made by the open-hearth process?

Mr. TOPPING. Well, the general advantage is in this, that you can not reduce by the Bessemer process, phosphorus below the percentage at which you start in on the ore; in fact you pick up added quantities of phosphorus in the process of manufacturing with limestone and coke; whereas in the basic process, it is only a question of time when you can eliminate substantially all the phosphorus; and by the basic process you get a more regular steel, and better quality, due to the fact that phosphorus is not an element that adds to the quality, but the reverse of that in its general influence. It makes it brittle.

The CHAIRMAN. Has the basic process or the open-hearth process relatively increased upon the Bessemer process; that is, increased the use of the open-hearth process at the expense of the Bessemer process in all mills or most of the mills of this country?

Mr. TOPPING. I do not know that you can say at the expense of the Bessemer process.

The CHAIRMAN. Well, has it superseded it?

Mr. TOPPING. No; I would not say it has superseded, because all the Bessemer mills or furnaces in operation to-day, or all that were in operation 10 years ago, are still in operation, so you can not say they have been superseded; but as I previously stated, the growth of demand has compelled the use of the open-hearth process to meet the demand, and to a large extent that is true. For instance, the Republic Iron & Steel Co. has gone into basic steel because we did not have enough Bessemer ore to meet the increasing demands on us for steel. It was a case of compulsion to a large extent, although there is a demand for basic steel that could not be met by a Bessemer quality. So you must combine those influences to get at the real result.

The CHAIRMAN. I am speaking of a case like this, where a man is constructing a new mill and has the option of putting in either Bessemer converters or the open-hearth process that they are now installing in new mills, even in Pittsburg, the open-hearth process to the exclusion of the Bessemer process.

Mr. TOPPING. That is for certain purposes only, Mr. Chairman, but not otherwise, unless the builder of those mills had no Bessemer ore. If he had Bessemer ore in plenty he might build a Bessemer plant, because there is a wide field for it to-day. We produce more Bessemer steel to-day than we do open hearth.

The CHAIRMAN. You have spoken of the improvements made by your company after you took charge of it. I have here a blue print of the Ensley——

Mr. TOPPING (interposing). What we call the Ensley division.

The CHAIRMAN. I will ask you to come to this end of the table, Mr. Topping, and explain to the committee whether it is an accurate blue print of your mills and what mills were there when you took charge and what mills were repaired and what mills were constructed.

Mr. TOPPING (referring to map). To illustrate, this is the group of blast furnaces—six in number. My recollection is that when I left the property we had rebuilt or reconstructed three of those blast furnaces. Here are the furnaces. I think the stacks were left just as we found them, but we put in a new power house, and this is our electric-power station; this is the steam plant, and this is the electric-power plant to operate the machines up above. That is a by-product coke plant. We rehabilitated a number of these mines, put in additional water-power pumping stations, and put in a pump house here, and these are the railroad tracks. We rearranged the whole track so as to maintain a common level of tracks. We found it up and down hill all through here. The railroad that served this plant was owned jointly; in fact, the internal yards were owned by the L. & N. and the Southern Railway. One of the first things I saw wrong with this operation was that it would be impracticable to operate it unless we owned the railroad. So I began negotiations with the railroad and finally bought it from them, and that put us in control of this traffic situation.

You can readily see, with a plant of that size, what little continuity the operation would have had if we were to depend upon the intermittent service of an outside railroad, which would come only when convenient, to take the hot metal from those furnaces to the converting plant up at the upper end of the works and in the movement of that steel in the form of ingots down here. This part of the plant here is substantially as we found it. We made no change. These are tenement houses for the miners—the mines located up in this district. We had our coal mines almost within a stone's throw of the works, a distance, some of them, of possibly half a mile, and the others ranged from 5 to 6 or 7 miles away. This is the rail-mill property here, and this is what we call the rail-finishing plant and the shipping sheds. This is a part of the old steel plant as we found it. It had not been destroyed when I left the plant, but I understand it has since been taken down. This is the Bessemer department here; that is where the metal is siliconized. This was the open-hearth department here. These are old coke ovens, and that is the plant up here [indicating] to break the metal. You un-

derstand that this is only a part of the Tennessee Coal & Iron Co. property.

The CHAIRMAN. That is just one group?

Mr. TOPPING. One group or division. They had other furnaces at Bessemer; five in that group, and a rolling mill at that point; and I think we had altogether 13 blast furnaces.

The CHAIRMAN. Roughly speaking, how much of this plant here, taking in everything, was constructed new or reconstructed from the time you took charge of it until you lost control?

Mr. TOPPING. Substantially all of it, because it meant a general destruction of the old property and rehabilitating it.

The CHAIRMAN. How much of it was constructed new entirely?

Mr. TOPPING. All of the open hearth except what I pointed out to you to be the old open-hearth plant.

The CHAIRMAN. This part here [indicating on map]?

Mr. TOPPING. Beyond that point; just beyond that little house indicated there.

The CHAIRMAN. What had you in the way of railroad property at the time of your absorption?

Mr. TOPPING. We owned or purchased what was known as the Birmingham Southern Railroad. I think we had about 110 miles of main-line track, principally connecting up our mineral properties with our manufacturing properties, and also owning what we regarded as very valuable terminals in Birmingham city.

The CHAIRMAN. Had you any docks?

Mr. TOPPING. We had no use for docks down there.

The CHAIRMAN. What property did you own at Pensacola?

Mr. TOPPING. We had no railroad connections as far south as that. The road was entirely local in its influence. It might be known as a terminal. It was regarded, however, as a common carrier, inasmuch as we had some trade on the lines of our rails that we had to take care of. We were known as a railroad of the fourth class under the classification of the Alabama railway commission.

The CHAIRMAN. At the time you received this Harriman contract of which you spoke, was there any other company in the United States making that quality of rail?

Mr. TOPPING. Not that I know of; not in quantity.

The CHAIRMAN. Did you manufacture blooms?

Mr. TOPPING. Not for the market.

The CHAIRMAN. You made them for your own purposes?

Mr. TOPPING. We rolled at that plant what are known as slabs, which is a flat piece of steel, and billets for the use of our Bessemer rolling mill, for converting into plate and bars.

The CHAIRMAN. Did you manufacture foundry boards and bar steel?

Mr. TOPPING. Not foundry board. That applies to pig iron. We made what was known as plate steel and merchant bar steel.

The CHAIRMAN. Did you make steel castings?

Mr. TOPPING. Yes.

The CHAIRMAN. And ferromanganese?

Mr. TOPPING. No; no ferromanganese at that time, although I believe the plant at Robinsonville did make ferromanganese, but we did not.

The CHAIRMAN. What was the purpose of those in charge of the operation of this property; had they any idea of disposing of it, or did they intend to develop it to its highest capacity?

Mr. TOPPING. We had no purpose of disposing of it. It was not bought with that intention, but with the view of developing it. Our conception of the property, as to what the policy should be, was that we should diversify and put the pig iron into forms that could be consumed most largely in the south, and also which might be exported under conditions which we hoped would become favorable; and with that idea in view I bought, or caused to be bought about 4,000 acres of land on the Warrior River, because at that time slack water improvements had been completed, and the extension of slack-water was being considered. In fact, I went to Washington and submitted some data to the Rivers and Harbors Committee to induce them to extend that slack water up to our property.

The CHAIRMAN. What year was that?

Mr. TOPPING. I think that was in 1906. And with the aid of other people who were interested in the navigation of that river for the transportation of coal and such other products as would be produced in that district, the Government did grant, as you well know, certain appropriations for the extension of slack-water navigation, our idea being we would finally put blast furnaces there and perhaps finishing mills, so as to be near the gateway for exportation. The whole proposition, as we saw it, was largely a southern property with export possibilities, recognizing it would take time and large sums of money to develop it.

The CHAIRMAN. What was your distance from the seaboard with that navigation?

Mr. TOPPING. To Mobile, my recollection is, something like 150 miles only.

The CHAIRMAN. Do you know the distance from Pittsburg to the seaboard?

Mr. TOPPING. I do not know; but about 350 miles.

The CHAIRMAN. It has been stated, Mr. Topping, that the securities of the Tennessee Coal & Iron Co. were pegged; that there was no great amount of speculation. Was that fact known to the syndicate operating this company, and was it a matter of any concern to the company?

Mr. TOPPING. Of course it was known, Mr. Chairman, because the syndicate was responsible for its pegged condition.

The CHAIRMAN. How did that come about?

Mr. TOPPING. The stock was tied up in a so-called syndicate agreement, which in itself pegged the stock. It withdrew the stock from the market as a speculative stock and left a very small amount, as you know from previous witnesses, of so-called free stock.

The CHAIRMAN. In its general provisions, did this agreement prevent a sale of the majority of the stock without the concurrence of both the syndicate managers, Mr. Schley and Mr. Hanna?

Mr. TOPPING. It did. So far as my stock was concerned, I felt I was under a moral obligation not to sell, and I did not sell; and so all the others felt who were in that syndicate. It was simply an agreement, substantially, based on honor, with gentlemen who were in it to keep it out of the market.

Mr. BARTLETT. That was one of the purposes of the agreement, to keep it out of the market?

Mr. TOPPING. The purpose was to keep it out of the market so as to maintain the control of it, naturally.

Mr. BARTLETT. To keep it from being knocked about on the Street?

Mr. TOPPING. I do not know that we cared how much it was knocked about on the Street, so long as we had the control of it.

Mr. BARTLETT. The reason I ask the question, Mr. Topping, Mr. Hanna said the stock had been a sort of football on the stock exchange. Was that true after you made this agreement?

Mr. TOPPING. That was not our purpose, to prevent it being a football, but to prevent the stock's control getting out of our syndicate's hands.

Mr. BARTLETT. And after this agreement was made there was practically none of the stock on the market?

Mr. TOPPING. Nothing but small amounts. Trading in it naturally was very much restricted.

Mr. BARTLETT. And so insignificant that you would say there was practically none, would you not?

Mr. TOPPING. I should say that the amount of stock traded in was very limited.

The CHAIRMAN. You were indifferent about what they did with that stock, so long as a clear majority of it was locked up in the strong boxes of the men operating this property?

Mr. TOPPING. That was the purpose of the syndicate, Mr. Chairman, as I understood it.

The CHAIRMAN. Mr. John W. Gates was a member of that syndicate, I believe?

Mr. TOPPING. He was.

The CHAIRMAN. When he left for Europe—what time was it when he left for Europe prior to this panic and the absorption of this company?

Mr. TOPPING. I think sometime in June.

The CHAIRMAN. And the panic was in November?

Mr. TOPPING. October.

The CHAIRMAN. When he left in June, what provision did he make for the protection of the stock he held in this company?

Mr. TOPPING. Mr. Gates stated to me that he had left a sufficient sum of money to meet any calls against him on that last subscription of 12½ per cent, and that all it would be necessary for me to do would be to notify a certain bank and the money would be paid on calls as made, when, and as required.

The CHAIRMAN. Mr. Schley said he turned over to him at the time it looked like this stock would have to be sold, in order to save the firm of Moore & Schley, or at least sold to help them out—that he offered him $3,000,000 worth of current securities. Do you know what his purpose was in placing those current securities in the hands of these brokers?

Mr. TOPPING. I do not know anything about that, Mr. Chairman. I have no knowledge of it.

The CHAIRMAN. Now, Mr. Schley has testified that you went with him to see Col. Ledyard——

Mr. TOPPING. Yes.

The CHAIRMAN. In his effort to induce Ledyard to use his good offices with Mr. Morgan, Mr. Gary, Mr. Frick, and others to get them to purchase this stock. Just state what you did to induce

Mr. Ledyard to purchase this stock. How you happened to go with Mr. Schley?

Mr. TOPPING. I met Mr. Ledyard at Mr. Schley's uptown office, 747, I believe it is, Fifth Avenue, and Mr. Schley told me that he would like to have me tell Mr. Ledyard what I knew about the Tennessee property, as to its minerals and prospects, and what our intentions were with respect to it, and what had been done in the way of its rehabilitation. I told Mr. Ledyard the story of the work that had been conducted and what I thought of the property, putting the matter in such way as I thought proper to correctly convey the mineral character of our possessions and their value, both prospective and present. I laid particular stress, I think, on the fact that the mineral holdings were fee ownership; that it cost but little to carry them, and that the future value of that property unquestionably was very great, not only on account of the vast possession and the vast amount they held, but because I believed the South would furnish a market locally for the products of the Tennessee property within a reasonable time. I also talked about the export possibilities from that point, and about cheap navigation or cheap cost of transportation to salt water, Mobile being the gateway, substantially; and I generally told him all about what we had done and talked to him as I would to a member of my board. In other words, a frank, full talk. A talk which I thought would give him such knowledge as would put him in a position to talk intelligently to those I understood he was going to see. In other words, I painted the picture as I believed it existed, and I allowed him to use his own judgment as to what he would say, based on his impression from the talk I gave him. That is about all there was to that, Mr. Chairman.

The CHAIRMAN. Did you desire to have Schley sell this stock?

Mr. TOPPING. I did not.

The CHAIRMAN. What did you say to him about selling it and giving up control of it? Did you go to see either Schley or Ledyard as a representative of the Tennessee Coal & Iron Co. and as chairman of its board of directors?

Mr. TOPPING. I did not.

The CHAIRMAN. State to the committee about that.

Mr. TOPPING. When Mr. Schley asked me to go and see Mr. Ledyard, I told him I could not go as an official representative of our company to discuss a sale of the property, inasmuch as I had no authority from the board to do so. He said, "That is all right; go as my friend, and tell him what you know." I told him I would be very glad to do so.

The CHAIRMAN. Were you in the second syndicate of which Mr. Schley spoke?

Mr. TOPPING. I was not. In fact, I knew nothing about it until I read his testimony.

The CHAIRMAN. As I understand, you had no purpose at any time or in any capacity of inducing anybody to purchase this property if it could possibly be prevented?

Mr. TOPPING. I do not know, Mr. Chairman, that I could answer your question as directly as you have asked it. My mind was rather passive. I saw no reason, from my viewpoint, both individually and as an official of the company, why the property should be sold; but

at Mr. Schley's suggestion that there were reasons from his viewpoint why he should sell his stock, I responded to his call and did what I could as his friend to help him to put the value properly before the would-be purchaser or his agent.

Mr. BARTLETT. Then, in your interview with Mr. Ledyard, your purpose was to aid Mr. Schley with reference to his stock and not with reference to the stock in this first syndicate; is that right?

Mr. TOPPING. My whole purpose was to meet Mr. Schley's suggestion, to put into Mr. Ledyard's mind the facts, as I understood them, as to the property the Tennessee Coal & Iron Co. owned; in other words, to aid Mr. Schley to that extent, to do what he pleased with his property, and to sell it if that was his necessity; but not representing my own stock or representing the stockholders, as I had no authority to make any such representation; and I was very specific on that point.

The CHAIRMAN. You spoke of the advantages of holding your properties in fee simple and the fact that most of the large concerns in the north have leaseholds, especially in the Lake Superior district. What leaseholds do the Republic Iron & Steel Co. hold or the other companies with which you are identified?

Mr. TOPPING. Mr. Chairman, I could not give you specifically the leaseholds the Republic Iron & Steel Co. own, because we own a great many, and it would be impossible for me to carry such details in my mind. All of their property is leasehold, and that answers your question, I should think, in a general way.

The CHAIRMAN. Over what road from the mines in the Mesaba Range or elsewhere, wherever these ores are located, to Lake Superior are your ores shipped?

Mr. TOPPING. Our principal shipments, Mr. Chairman, are from the Mesaba district. Our largest holdings are in that territory, and large shipments are made both over the roads of the corporation and the Hill road.

The CHAIRMAN. Is there any difference in charge between the Hill road and the roads of the corporation?

Mr. TOPPING. There is not.

The CHAIRMAN. Are there any other roads except the Hill roads and the corporation roads that carry ore from those mines to the lake?

Mr. TOPPING. Not from our mines; no, sir.

The CHAIRMAN. How many tons of ore does your company ship annually over those roads?

Mr. TOPPING. It varies somewhat, Mr. Chairman, naturally with the volume of business we do, which in turn would be influenced by the demand for steel from year to year. About 2,000,000 tons per annum was our output for 1910, and it will be about the same this year.

The CHAIRMAN. What did you say was the length of those roads?

Mr. TOPPING. I do not know that I can give you from memory the length of the road. Anticipating that you might ask me that question, I had our traffic manager make a statement as to just what we were shipping, from where it was shipped, the rate paid, and the mileage, and I can give you that statement, if you desire.

The CHAIRMAN. I would be very glad to have it.

Mr. TOPPING. In reference to our output for 1910, I said 2,000,000 tons, and I find it was 1,800,000 tons, or approximately 2,000,000 tons. I would like to correct that. This statement shows the rate paid, the

route of delivery, and the tonnage for each month. I have no objection to submitting this statement.

The CHAIRMAN. First, I will ask you to state in a general way what it is, so we may identify it in the record.

Mr. TOPPING. It shows that we shipped 251,000 tons, roughly, from Marquette by the D. S. S. & A., and the rate was 25 cents. From Escanaba we shipped only 51,000 tons, at 40 cents; and from Two Harbors, by the corporation's roads, 371,684 tons.

Mr. STERLING. At what rate?

Mr. TOPPING. Eighty cents. And by the Great Northern, from Alouss Bay, at the same rate, 840,000 tons.

Mr. STERLING. What was the rate on that?

Mr. TOPPING. Eighty cents. From Escanaba the rate is 40 cents by the St. Paul, and we shipped 45,000 tons; by the Chicago & Northwestern, from Ashland, 140,000 tons, at 40 cents; and there was 125,000 tons from Duluth by the D. M. & M., another corporation road, at 80 cents; making the total shipped over corporation lines something over 500,000 tons, as against 840,000 tons by the Hill road from the mines.

(The statement referred to is in the words and figures following, to wit:)

Republic Iron & Steel Co.—Statement of ore tonnages for season of 1910, railroads and upper lake ports, handling same and rate per ton charged.

	Rate, 25 cents; D. S. S. & A., Marquette.	Rate, 40 cents; C. & N. W., Escanaba.	Rate, 80 cents; D. & I. R. R. Co., Two Harbors.	Rate, 80 cents; Great Northern, Allouez Bay.	Rate, 40 cents; C. M. & St. P., Escanaba.	Rate, 40 cents; C. & N. W., Ashland.	Rate, 80 cents; D. M. & M., Duluth.	Total.
Our own ores:	*Gross tons.*	*Gross tons.*	*Gross tons.*	*Gross tons.*	*Gross tons.*	*Gross tons.*	*Gross tons.*	*Gross tons.*
Cambria and Lillie	[1] 147,139	[1] 5,996						153,135
Bessemer			117,173					117,173
Bray				57,789				57,789
Franklin			31,614					31,614
Kinney				401,781				401,781
Mariaka			23,265					23,265
Monica			69,503					69,503
Onondaga				61,935				61,935
Pettit			62,456					62,456
Schley			13,369					13,369
Victoria			27,592					27,592
Wills			26,712					26,712
Total R. I. & S. Co. Mines	147,139	5,996	371,684	521,505				1,046,324
Clifford (joint operation)		45,642			45,297			[2] 90,939
Purchased ores:								
Group No. 1							125,000	[3] 125,000
Stevenson				50,000				[4] 50,000
Do				50,000				[3] 50,000
Melrose						137,595		[3] 137,595
Colby						2,667		[3] 2,667
Shenango				150,000				[3] 150,000
American crushed	75,000							[3] 75,000
Republic crushed	29,816							[3] 29,816
Mahoning				24,000				[3] 24,000
Beaver				45,000				[3] 45,000
Total purchased ores	104,816			319,000		140,262		689,078
Total all ores	251,955	51,638	371,684	840,505	45,297	140,262	125,000	1,826,341

[1] Difference between these figures and those showing total shipments from mines dur this period represents direct shipments. (Sales f. o. b. mines.)
[2] 15,000 tons only to R. I. & S. Co. furnaces; balance sold.
[3] F. o. b. lower lake ports.
[4] F. o. b. mines.

Mr. STERLING. Is the difference in freight rates due altogether to the difference in mileage?

Mr. TOPPING. It naturally would be somewhat influenced by that. It should be, according to the long and short haul determination, but I believe so far it has not been.

The CHAIRMAN. Have you been advised by your traffic manager as to what is a fair and remunerative rate, all things considered, over the corporation's roads and over the Hill road for that 100 miles of haul?

Mr. TOPPING. That matter has never been taken up, Mr. Chairman, in that way. We have never considered it just in the sense you put your question. I do not know that I would be qualified to say what should be the rate. I do not know that our traffic manager would be qualified to say what should be the rate. But speaking for myself, I do not consider that I am qualified to say what the rate should be specifically.

The CHAIRMAN. Well, approximately.

Mr. REED. Mr. Chairman, may I enter an objection to the witness being asked for his opinion when he admits he is not competent to express an opinion?

The CHAIRMAN. I will ask you to state what advice you have been given by your traffic manager, whose business it is to investigate these things, and what information you have as to the price charged per ton-mile for that class of freight, generally?

Mr. TOPPING. Mr. Chairman, I would answer that question in this general way: Our traffic manager is of the opinion that the rates are all too high.

The CHAIRMAN. How much too high?

Mr. TOPPING. I am not prepared to answer that.

Mr. YOUNG. Does that apply to all the roads?

Mr. TOPPING. To all the roads from all the districts up there.

The CHAIRMAN. I am speaking particularly of the Hill road and the corporation roads, where they have the 80-cent rate.

Mr. TOPPING. Of course, those three roads carry the bulk of our tonnage, and naturally we would be interested in seeing the rates adjusted from that particular territory, because our greatest tonnage comes from that district. I think that our traffic manager is of the opinion that the freight rates out of all of those districts are too high. They are all somewhat relative and have been maintained on that basis for years, as you know.

The CHAIRMAN. I am speaking now particularly as to those roads.

Mr. TOPPING. My opinion has been that the rates are high, based on comparison, for instance, with the Birmingham district, where, within a 25-mile radius, the rate on coal and ore is 25 cents a ton, whereas up in the north in the short hauls the rate is 35 cents for a 25-mile haul.

The CHAIRMAN. They are the roads on which you ship all over the country?

Mr. TOPPING. Ship what?

The CHAIRMAN. Finished products.

Mr. TOPPING. Yes.

The CHAIRMAN. You ship ore and coke?

Mr. TOPPING. We do.

The CHAIRMAN. You have a general knowledge of the average rates for freights of that classification, have you not, either personally or from your traffic manager in the discharge of your business.

Mr. TOPPING. I would not consider it in that light. The traffic manager, Mr. Chairman, of our company looks after the details of transportation. I am only concerned in the general results of the operations of his department, and naturally I depend upon him for the conduct of that division of our business.

The CHAIRMAN. I will ask you whether or not it is a fact that your company is now paying from $800,000 to $1,000,000 a year in the way of tribute for the privilege of doing business, in the form of excessive freight rates over those roads?

Mr. REED. Would you permit me, Mr. Chairman, to enter an objection to that question, because the witness has already stated he is not competent to express an opinion as to the fairness of those freight rates?

The CHAIRMAN. I think I will let the witness answer the question. I think he has qualified himself.

Mr. TOPPING. Mr. Chairman, I can not answer that question specifically without more direct knowledge as to the cost per ton mile for the traffic involved and what should be allowed as a fair profit per ton mile. But whatever excess is being charged over a fair rate, to that extent are we paying tribute. As to what that excess is, I am unable to tell you.

The CHAIRMAN. Have you made any calculation on the subject or had any of the persons who had charge of this business make any estimate of the amount of money you are out every year in excessive freight rates, as you consider them?

Mr. TOPPING. Our opinion, Mr. Chairman—and it is a question of opinion rather than a question of direct information as to what the rate should be or what would be a fair rate—is that the rates are too high and should be adjusted.

The CHAIRMAN. Have you any advice from those in charge of this matter about how much you are affected in money by the difference in what you consider a fair rate and the rate you are forced to pay to get your ores over that road?

Mr. TOPPING. I have no data on that subject which I could submit.

The CHAIRMAN. What is your best opinion, based on such information as you have. How much does it cost you, in your opinion?

Mr. TOPPING. I do not know that I could qualify myself to make a statement that would be specific, Mr. Chairman, on a subject of that kind, which involves cost and capital returns on investment, and it seems to me hardly a fair statement for me to make without that knowledge. But, inferentially as I have just stated, based on the service rendered in the South, and the fact that these rates have been in effect for a great many years without change, there should be a reduction in view of the fact that the density of traffic has unquestionably grown enormously, and the published returns of profits earned by those roads would all suggest that there is too much profit being paid for the services rendered; and that is as far as I could go or would care to go on that subject without more definite information.

Mr. BARTLETT. Would you say it costs the railroads in the Northwest more to haul the ore than it does the railroads in Alabama, where the rate is so much cheaper?

Mr. TOPPING. I do not know, Mr. Bartlett, as to that. I see no reason why it should.

Mr. BARTLETT. Is it not more probable that it costs the railroads in Alabama as much or more to carry on their business as it does there in the North, where they have so much more traffic to haul than they do in Alabama?

Mr. TOPPING. I do not know, Mr. Chairman, as to that. Of course, the Alabama roads do not depend alone on iron ore. There are general products—pig iron and cotton, lumber, coal, and various other things that go to help make up a traffic that would give them, as the L. & N. statements show, a very profitable business, even on a 12½-cent basis. The L. & N. Road is very well known to be a very prosperous railroad, a money-maker, and I do not assume that they are losing any money at 12½ cents for a 25-mile haul.

The CHAIRMAN. Mr. Topping, it is possible with such data as we can obtain from the Interstate Commerce Commission and elsewhere to determine, in my opinion, to what extent those rates are excessive—if they are——

Mr. TOPPING. I should think so.

The CHAIRMAN. But it is utterly impossible for the Interstate Commerce Commission to determine to what extent an independent manufacturer, like the Republic Iron & Steel Co., is affected by this alleged excessive charge, and for that reason we are anxious to get from you, if possible, as accurate a statement as you can give, and as near an approximation as you can make from such data as you have at hand, as to the extent to which you are affected by this excessive rate, of which you speak.

Mr. TOPPING. I would be very glad to be more definite and specific, Mr. Chairman, if I had the data, or the exact data on which to base a statement. We think we are adversely affected by excessive rates, and the position of the Pittsburg district as a whole to-day, in my opinion, will demand some investigation and revision of those rates if it is equitable to claim them, on account of the great growth of production in the Chicago district, the increased developments South, the changes incident to the reduction or practical removal of the duty on iron ore in the East, and the development of such businesses as the Lackawanna Steel and the Bethlehem Steel Cos. So that the condition of the Pittsburg and Youngstown districts to-day, as compared to what it was when those districts that I have just mentioned were undeveloped, is vastly different; and it seems to me that the changed conditions, in view of the large earning power of the properties which are now engaged in the transportation of the raw material in the Pittsburg district would call for some adjustment, otherwise Pittsburg is in some danger of being shriveled up by competition, unless relief is granted. On that general statement I do not think I would like to make any other answer.

The CHAIRMAN. I will ask this question: If you have not been advised by your traffic men who have thoroughly investigated this question, that the Republic Iron & Steel Co. is injuriously affected to the extent of from eight hundred thousand to a million dollars a year by excessive freight rates on the roads you have named?

Mr. TOPPING. Our freight manager, Mr. Chairman, has never made any estimates as to the amount involved. Our traffic manager is of the opinion that I have just expressed—that the fairness of the rate should be inquired into and the equity of the case determined, and such revision made as would seem to be fair to the railroads and those interested in the transportation.

The CHAIRMAN. I will ask you this question: Is it true or not, Mr. Topping, that 2½ mills per ton-mile is an average rate and a fair rate for freight of that classification—iron ore—transported under the conditions under which ores are transported from the Vermilion and Mesabi Ranges to Lake Superior?

Mr. TOPPING. I really think that is a question for the transportation men to answer.

The CHAIRMAN. If that be true—that 25 or 30 cents is a fair rate—to what extent are you affected by this 80-cent rate?

Mr. YOUNG. Mr. Chairman, the witness says he does not know anything about the fact——

The CHAIRMAN. Well, we can not make the computation on the record.

Mr. TOPPING. Whatever excess we pay injures us just to the amount of that excess, Mr. Chairman; and had I the data and the information necessary to reply to that question directly there is no reason why I should not.

The CHAIRMAN. I have not asked you about the rates over the Bessemer & Lake Erie Road. Do you ship over that road?

Mr. TOPPING. No, sir.

The CHAIRMAN. Or over the Pennsylvania?

Mr. TOPPING. Most of our material comes over the Pennsylvania and Lake Shore.

The CHAIRMAN. Are the rates over the Bessemer & Lake Erie and other roads running from Conneaut and Erie to Pittsburg and Youngstown the same?

Mr. TOPPING. I think they are generally the same to similar districts—the common rates.

The CHAIRMAN. What have you to say about that rate?

Mr. TOPPING. We think that rate is too high.

The CHAIRMAN. Will you tell me how much?

Mr. TOPPING. I can answer that in the same way I did the other.

The CHAIRMAN. Approximate it.

Mr. TOPPING. I would not care to approximate it without the data, Mr Chairman. There is a case on now in Pittsburg—on coal, I believe—that has in mind the prosecution of a suit for some adjustment of the freights on coal and coke; and naturally it would involve ore. I should think that your committee could get full information through other channels on that subject which would be better testimony than one could give you who is not directly interested in transportation and the present cost of transportation in that particular district.

The CHAIRMAN. You said a suit was pending? I did not catch the first part of your statement.

Mr. TOPPING. Not a suit, but a petition before the Interstate Commerce Commission on the subject of readjusting the coal and coke rates between Pittsburg and the Lakes. That whole question is up,

I believe, now, so far as that district is concerned, and it naturally will involve the haulage of ore on all the roads.

The CHAIRMAN. Which is the more expensive to haul, do you know—coal or coke?

Mr. TOPPING. Well, I should say that on account of its bulk it would cost a trifle more, perhaps, to haul coke.

The CHAIRMAN. With your self-dumping cars, it is easier to load and unload?

Mr. TOPPING. They should haul a larger train load with ore than with coke on account of the bulk of the coke.

The CHAIRMAN. Mr. Topping, I hear a great deal of complaint—more off the witness stand than on—from independents and other persons who are forced to avail themselves of these roads, and I am somewhat surprised—at least, I am curious to know—why it is that you have never made any specific complaint by suit or otherwise to the Interstate Commerce Commission?

Mr. TOPPING. Possibly it is due, Mr. Chairman, to the fact that the pressure on us has not been severe enough up to date to justify making a fight against it. There might be something in that.

The CHAIRMAN. You dislike to make a fight against your neighbor. That is another application of the Golden Rule.

Mr. TOPPING. As you term it.

The CHAIRMAN. What kept that pressure off of you?

Mr. TOPPING. The statement I just made, as to the development of business in the West, in the Chicago district, the great growth of steel production there, the growth in the East and the growth South, which are all recent things; and so long as the manufacturers were on an even keel as to all paying the same freight rates, in the older days we could stand that freight rate better than we can now. There has been a good deal of dissatisfaction with freight conditions in the Pittsburgh district, and there have been more or less discussions, not only on the part of our own people, but on the part of other companies as to this question, and what course or policy we should pursue.

The CHAIRMAN. You speak of being on an "even keel." Do I understand you to mean that as long as prices are maintained——

Mr. TOPPING. No; I did not mean that.

The CHAIRMAN (continuing). So as to enable you to make a certain profit, that you have not found it necessary to complain of the freight rates?

Mr. TOPPING. No; I did not mean that. I referred to the freight rates entirely, Mr. Chairman, and not to prices.

The CHAIRMAN. What do you mean by being on an "even keel"?

Mr. TOPPING. On an even keel as to freight rates.

The CHAIRMAN. You mean every fellow paying the same?

Mr. TOPPING. Yes.

The CHAIRMAN. Do you pay the same as the Steel Corporation pays, actually?

Mr. TOPPING. Well, it depends upon how much stock in the railroad the other fellow has—the Steel Corporation, for instance.

The CHAIRMAN. Suppose he owns it all?

Mr. TOPPING. Well, he might be able to pay 80 cents and take down half of that in profit. I do not know.

The CHAIRMAN. If he owns the railroad?

Mr. TOPPING. I say that might be. Whatever that profit is, it will be that much off.

The CHAIRMAN. If the railroad is a subsidiary company of the United States Steel Corporation——

Mr. TOPPING. Yes.

The CHAIRMAN (continuing). And the Carnegie Steel Co. is a subsidiary company of the United States Steel Corporation——

Mr. TOPPING. Yes.

The CHAIRMAN (continuing). And they pool their profits and each pays to the stockholders a proportionate amount; in other words, if the profits of both go into a hodge-podge—into one common fund—and from that dividends are declared, is it a matter of any importance, any vital concern, to the United States Steel Corporation whether the rate on a ton of ore is 2 cents or $200, so long as they do not lose by the operation? I mean, so long as they can haul below cost?

Mr. TOPPING. So long as they can maintain a profitable operation in any department, naturally it would not make any difference.

The CHAIRMAN. If they pay from one pocket into another they can recoup, can they not? Have you any way of recouping?

Mr. TOPPING. No.

The CHAIRMAN. You are out?

Mr. TOPPING. Except you buy a railroad.

The CHAIRMAN. Why did you not complain?

Mr. TOPPING. I told you why.

The CHAIRMAN. Is it not true that if prices should fall, Mr. Topping, until a dollar on a ton of ore or $2 on a ton of ore would probably decide how long one company or the other would live, that that brotherly love would cease, and somebody would complain about these freight rates?

Mr. TOPPING. A condition of that kind might be a very strong stimulant to attack.

The CHAIRMAN. The United States Steel Corporation has been benevolent to the independents in enabling you to live and pay this rate, has it not?

Mr. TOPPING. I would not put it that way, Mr. Chairman. I do not know that their benevolence has enabled us to live. We have lived so far by our own efforts to a large extent.

The CHAIRMAN. Well, I believe that; but——

Mr. TOPPING. But there are some disadvantages that we naturally encounter, and they have some advantages that we do not enjoy?

The CHAIRMAN. The price of steel production is maintained practically, in a way, at a regular level, is it not? Destructive competition has been eliminated, has it not?

Mr. TOPPING. I have not so found it.

The CHAIRMAN. To a great extent, in many things, I mean—rails, structural steel, and plates?

Mr. TOPPING. We are having some trouble to meet competition right now in some quarters—particularly in the Chicago district.

The CHAIRMAN. If it were not for the fact that the level of prices has been such as to enable you to pay this freight rate and make a living profit, could you have done business through all these years and paid the difference between what are charged for the hauling of your raw material and what it actually cost the common carrier?

Mr. TOPPING. Will you state that question again, Mr. Chairman, if you please?

The CHAIRMAN. I say, if the level of prices had not been such as it is, maintained by whatever force you please to call it—the power of the Steel Corporation—if it had not been for that fact, and you had been forced to produce at a small margin of profit——

Mr. TOPPING. I do not think so, Mr. Chairman.

The CHAIRMAN (continuing). Could you have paid those freight rates actually, while the other fellow paid them constructively, and lived in the market?

Mr. TOPPING. I do not think, Mr. Chairman, that you put the question in such a way that I could answer it.

The CHAIRMAN. What is that?

Mr. TOPPING. I say, I can not answer that question in the way your suggestion calls for it. I do not think, in other words, that the question of price, up to date, has had anything to do with the past policy so far as our attitude on this freight question is concerned. You must bear in mind this fact—and it is a factor of influence—that all railroads are big consumers of steel. At one time it was estimated that the railroad consumption of this country was about 40 per cent of the production of steel. I do not know that we have had 10 per cent of it in the last two years, and we are barely living and keeping our mills in operation. That is about all. There would naturally be a little diffidence on the part of the producers of steel to make any broad and general attack on the railroads unless conditions of existence, or your inability to maintain your operation on a profitable basis, would compel you to file your complaint. I think that attitude of mind has had a great deal to do with the attitude of the various independent shippers of iron and steel, and I do not think the question of price has had anything to do with it up to date.

The CHAIRMAN. You would not have been forced to have made a general attack on all of the railroads, Mr. Topping—very few of them.

Mr. TOPPING. Well, there is the Pennsylvania, the Baltimore & Ohio, the Lake Shore, Erie, and a great many roads that are involved—most all of them.

The CHAIRMAN. Do you sell any rails to the Pennsylvania Railroad Co.?

Mr. TOPPING. We sell lots of other things—track bolts and spikes and merchant bars.

The CHAIRMAN. Do you sell any rails?

Mr. TOPPING. We have sold rails. The Republic has a rail mill, but it is not operating on rails.

The CHAIRMAN. Is your mill at——

Mr. TOPPING. At Youngstown.

The CHAIRMAN. Have you reached that state in business when the unity of interest between the railroads and the producer of steel is such that you are indifferent to how much the railroad charges you——

Mr. TOPPING. I made no such statement, Mr. Chairman.

The CHAIRMAN (continuing). So long as the railroad is prosperous enough to continue excessive orders by which you can recoup?

Mr. TOPPING. I did not make that statement. I beg your pardon.

The CHAIRMAN. I did not think so.

Mr. TOPPING. I made the statement that reciprocal reasons had much to do with the indifference of mind toward that rate situation in the past. I did not say what the present attitude of mind was, or what the future might compel us to do. That is a matter for the future.

The CHAIRMAN. Let me put this question to you. You produce pig iron in your Youngstown plant?

Mr. TOPPING. How is that?

The CHAIRMAN. You produce pig iron in your Youngstown plant?

Mr. TOPPING. Oh, yes; we have 10 blast furnaces up there.

The CHAIRMAN. If in your Birmingham plant you can produce pig iron at a net profit of, say, $2.50——

Mr. TOPPING (interrupting). Will you put that question again?

The CHAIRMAN. In your Birmingham plant you can produce pig iron at a net profit of $2.50 and live, can you not, and make a fair return on your investment?

Mr. TOPPING. Well, we are still living, Mr. Chairman, and we are producing iron; but there are different kinds of iron made in Birmingham than in the North. We are making foundry iron in the South. We can not make steel; we are making iron, and I can not make a comparison.

The CHAIRMAN. I am not inquiring or asking you to answer about the profits of your business. If I am, and you so advise me, I will not be disposed to press you too much on that question. We are not pressing you on that. You are purely a voluntary witness. You come in answer to a subpœna, of course, but what I mean is, as far as I know, there is nothing in this resolution that authorizes us to investigate in any way the affairs of the Republic Iron & Steel Co. And I have found no evidence that you are connected, directly or indirectly, with the United States Steel Corporation or affiliated in any way.

Mr. TOPPING. We are not.

The CHAIRMAN. Or tied up in any pool, so far as I have found—and there are a good many that I have not said anything about. For that reason I should not insist upon answers to questions by Mr. Topping that I would if he were on a different footing in reference to the power intrusted to this committee by virtue of this resolution. I hope I am not making a curious or embarrassing inquiry into the details and trade secrets of your business, but is it or not true that you can make pig iron for any purpose, I care not what, and sell it at $2.50 a ton more than it costs you to make it and declare a fair dividend on your investment in a good year?

Mr. DANFORTH. Sell it where?

The CHAIRMAN. Anywhere; in the open market.

Mr. TOPPING. If I get the significance of your question, you are trying to determine whether $2.50 is a fair profit on pig iron?

The CHAIRMAN. In Birmingham; yes—or anywhere?

Mr. TOPPING. Anywhere?

The CHAIRMAN. I am asking you if in Birmingham you can make it and sell it for $2.50 a ton more than it costs you to make it and declare a fair dividend on your investment?

Mr. TOPPING. It would be a modest return on $2.50 gross profit.

The CHAIRMAN. Could you at Youngstown make pig iron, where the cost of production on the part of the United States Steel Corporation was identical with yours—no overhead charge, or anything of that kind? For instance, if you had a blast furnace where that building is [indicating] and the corporation had a blast furnace where this building is [indicating], and everything else is equal now—you have a lease of 5,000,000 tons of Mesaba ore and they have a lease of 5,000,000 of Mesaba ore—can you take the ore from the Mesaba Range and make it into pig iron and sell it at the same price that the Steel Corporation sells it at, and let the Steel Corporation make a profit of $2.50 a ton—and what have you?

Mr. TOPPING. There would not be much profit in it at the present time.

The CHAIRMAN. Does any member of the committee care to ask the witness any questions?

Mr. YOUNG. Yes; I would like to take an hour or so, more or less.

As to this matter of rail rates—I will take that up first—has your company ever made any complaint, either to the railroad companies running out to the Mesaba Range and the Vermilion or to the Interstate Commerce Commission?

Mr. TOPPING. We have not.

Mr. YOUNG. In relation to those rates?

Mr. TOPPING. No, sir.

Mr. YOUNG. There has not been any compulsion to prevent your doing it, has there?

Mr. TOPPING. No, sir.

Mr. YOUNG. There has not been any threat of injuring you in some other direction if you did complain?

Mr. TOPPING. No, sir.

Mr. YOUNG. Then your failure to do so up to the present time has been entirely voluntary?

Mr. TOPPING. Absolutely so.

Mr. YOUNG. Still, you think that those rates are high?

Mr. TOPPING. I do.

Mr. YOUNG. And if the business——

Mr. TOPPING. They are too high, Mr. Young, because the present profits of the business will not stand those transportation charges.

Mr. YOUNG. That is what I am getting at.

Mr. TOPPING. And leave a fair profit.

Mr. YOUNG. That is what I am getting at.

Mr. TOPPING. For the reason that the Pittsburg district to-day does not maintain its supremacy in all the markets as it did some years ago, for the reason that its territory has been encroached upon by the Chicago, eastern, and southern districts.

Mr. YOUNG. Undoubtedly.

Mr. TOPPING. Due to the development of those districts; and to maintain the existing condition of affairs to-day, to my mind, would be to the detriment and injury of the Pittsburg and Youngstown districts, in that broader sense.

Mr. YOUNG. This would be true as a general proposition, would it not, Mr. Topping: Whenever the price of your product, owing to a decreased demand for it, is lowered to meet conditions you begin looking about in all directions to see where you can reduce costs so as to leave a profit?

Mr. TOPPING. Naturally.

Mr. YOUNG. And under such circumstances you might think something could be cut off of the railroad rates on ore and might become active in that direction? That is the situation, is it not?

Mr. TOPPING. I would not put it that way; no, sir.

Mr. YOUNG. How would you put it?

Mr. TOPPING. The published reports of the earnings of the roads carrying iron, coal, and coke all suggest that there is a large profit—a particularly large profit—in that particular class of transportation; so that we think there is room to divide that profit with the manufacturer and miner of ore, who is not getting much out of it at the present time. Otherwise there may be left in the ground, and some other districts will convert the iron ore, and these same roads would be cosufferers with us if they did not regard it; and it has never been put up to them strongly as yet.

Mr. YOUNG. But the reports of the railroads have been published for a good many years, have they not?

Mr. TOPPING. I believe so.

Mr. YOUNG. And up to date they have not caused you or other independents to take any action? That is right, is it not?

Mr. TOPPING. I have not been an independent very long.

Mr. YOUNG. Something was asked you in that line—about some sort of an understanding about prices.

Mr. TOPPING. Yes, sir.

Mr. YOUNG. It is true, is it not, that your company within the last few months made quite a drastic cut in prices, independently?

Mr. TOPPING. We reduced our prices some time ago. That is our privilege at all times—to put them up or down, as my judgment or the judgment of my associates would suggest.

Mr. YOUNG. You did that acting independently without consulting other companies and getting their permission?

Mr. TOPPING. We consulted our own judgment only.

Mr. YOUNG. Exactly. And is that the condition which generally prevails, to your knowledge, in the iron and steel business to-day?

Mr. TOPPING. I have no knowledge, Mr. Young, as to what the other fellow is doing, and I can not answer that question.

Mr. YOUNG. What do you mean by the statement that you made—that you had only been an independent a short time?

Mr. TOPPING. Why, I left the Steel Corporation's employ in 1905. That is what I meant. So it is only within the last five years that I have had to do with this freight question that you are discussing.

Mr. YOUNG. You spoke of the rates in the Michigan districts, in your judgment, also being high for freight. Do you think they are as high, relatively, there for the service rendered as they are in the Minnesota district?

Mr. TOPPING. I would answer that question, Mr. Young, by saying that I do not know that I am competent to pass on that. There are a good many things that would enter into the cost of transportation in the various districts—the character of the road, whether uphill or downhill, terminal facilities, and labor costs, and the cost of coal, and various other things. I assume that the rates that are now maintained and have been maintained for many years in the general districts—the old ranges in the Mesaba, are all based somewhat upon

the relative charge per ton-mile. It would seem so from the mileage hauled and the charges.

Mr. YOUNG. The rate per ton-mile would naturally be higher on a short haul than on a long haul, would it not? The services would cost more per mile on a short haul than on a long haul, other things being equal?

Mr. TOPPING. Is that the case in the rates up there now? It is just the reverse of that, is it not?

Mr. YOUNG. What is that?

Mr. TOPPING. Is it not true that the rates are much higher on the long haul than on the short haul?

Mr. YOUNG. I am asking you if the ton rate per mile should not——

Mr. TOPPING. I am trying to get your question.

Mr. YOUNG (continuing). Fairly be higher on a long haul than on a short haul. I am not asking what the condition is.

Mr. TOPPING. It would depend somewhat——

Mr. YOUNG. Assuming that other things are equal?

Mr. TOPPING. I would say yes; that the short haul, relatively, might be somewhat higher. For instance, in a 25-cent total charge, if they have dock charges to deduct, you would have less revenue to maintain your dock from a 25-cent haul than from an 80-cent haul.

Mr. YOUNG. Certainly.

Mr. TOPPING. Therefore, we feel for that very reason that the 80-cent rate is a greater tax for the mileage hauled than it would be on a 25-cent rate for the mileage hauled.

Mr. YOUNG. You mean that the 80-cent rate for an 80-mile haul is higher than a 25-cent rate for a 25-mile haul?

Mr. TOPPING. As a general proposition.

Mr. YOUNG. That is exactly what I am getting at. As a matter of fact, from the Marquette range there are three railroads, are there not, which can be used?

Mr. TOPPING. Yes; I believe so.

Mr. YOUNG. The Northwestern, the Duluth, South Shore & Atlantic, and the L. S. & I.?

Mr. TOPPING. Yes.

Mr. YOUNG. And since the building of the L. S. & I railroad there has been a large reduction in the rate, has there not?

Mr. TOPPING. I am not very familiar with the changes in those rates from time to time, because it is only within the last four or five years that I have had much to do with the general situation in the Northwest. My operations have been in other departments of the business, and general supervision of that feature has not come under my control.

Mr. YOUNG. Then you are not aware of the fact that on the Michigan Ranges during the last 15 years the rates have been very largely reduced on iron, while in the Minnesota district there has been no change since the beginning?

Mr. TOPPING. I was not aware of that fact; but at the same time, while I admit in the general sense that a relatively larger revenue per ton-mile on a 25-mile haul would be demanded where you have terminal or dock charges to deduct from that than it would require on an 80-mile haul at 80 cents, where the dock charges are the same

and where the transportation would be relatively less per ton-mile on that haul, I can not see the sense or consistency of any road in the Michigan or Wisconsin district charging 25 cents for a 12-mile haul as against half of that rate in the southern district.

Mr. YOUNG. How is the labor cost?

Mr. TOPPING. The labor cost in the South is about the same as in the North.

Mr. YOUNG. On railroads?

Mr. TOPPING. I think so.

Mr. YOUNG. Have you made any investigation into that?

Mr. TOPPLING. We employ a good deal of labor in the South. We have 8 or 9 miles of our own road there in the South to-day.

Mr. YOUNG. In the South you do business all the year round with your railroad?

Mr. TOPPING. We do.

Mr. YOUNG. And it is not confined to the ore business at all?

Mr. TOPPING. No; our little road is.

Mr. YOUNG. Take for instance, the Duluth, South Shore & Atlantic. Their ore haul is confined to seven or eight months at the outside, is it not?

Mr. TOPPING. I should think so; that is, so far as the heavy transportation is concerned, of iron ore. At the close of navigation it stops.

Mr. YOUNG. I said "iron ore."

Mr. TOPPING. I did not understand you, if you did.

Mr. YOUNG. And there is a heavy expense in handling snow in the northern district, is there not?

Mr. TOPPING. Perhaps. I have no direct knowledge of that.

Mr. YOUNG. All these things would make a difference to some extent in the cost of doing the business, would they not—the fact that you can only do it a portion of the year——

Mr. TOPPING. The railroads never stop there during the winter months, though, do they?

Mr. YOUNG. Oh, no; but the ore business stops. The organization has to be kept up the year round.

Mr. TOPPING. The lumber business does not stop; and the general traffic does not stop on those roads, and it is much heavier to-day than it was 25 years ago, due to the growth of the population and the general density of the traffic.

Mr. YOUNG. Do you say that the Duluth, South Shore tonnage is greater than it was 10 years ago?

Mr. TOPPING. Not as to ore, I would not.

Mr. YOUNG. As to everything?

Mr. TOPPING. That I do not know; I am speaking broadly, generally.

Mr. YOUNG. You would make no distinction, then, between the Michigan ranges and the Minnesota ranges, as to which rates are the higher in proportion to the services? Is that your general proposition?

Mr. TOPPING. I made no such general proposition.

Mr. YOUNG. Is that your opinion?

Mr. TOPPING. It is not. I do not know that I have an opinion on it, until I study the question a little bit.

Mr. YOUNG. You do not think you know enough about it to express an opinion?

Mr. TOPPING. I made the statement that I gave you on my general information, based on a comparison of the rates in other districts.

Mr. YOUNG. Your statement, as I understood it, was that all the rates, in your judgment, were too high?

Mr. TOPPING. I said so.

Mr. YOUNG. But you made no comparison. Now I understand you to say that you are not sufficiently informed on the subject to make such a comparison intelligently?

Mr. TOPPING. To make a specific adjustment.

Mr. YOUNG. No; to make a comparison as to which rates are the higher, relatively.

Mr. TOPPING. I think before anyone could answer that question specifically, he would have to have a schedule of conditions in order to make an intelligent adjustment between this road and that road.

Mr. YOUNG. And you have not that information?

Mr. TOPPING. I have not, at hand.

Mr. YOUNG. Now, then, we come to this question of this Tennessee Coal & Iron Co. The Tennessee Coal & Iron Co. has never sold its property, has it?

Mr. TOPPING. It sold its shares of stock, or they were exchanged.

Mr. YOUNG. Did the Tennessee Coal & Iron Co. own the shares of its stock?

Mr. TOPPING. The Steel Corporation own the shares in the Tennessee Coal & Iron Co.

Mr. YOUNG. But did the Tennessee Coal & Iron Co. ever own its own shares? They belonged to the stockholders, did they not?

Mr. TOPPING. You mean did they ever buy any stock of their own company?

Mr. YOUNG. Yes.

Mr. TOPPING. No; not so far as I know.

Mr. YOUNG. The Tennessee Coal & Iron Co. still own all the property it ever owned? The trade in fact, was a trade in stock?

Mr. TOPPING. So far as I know, that is the case; and I assume that the Tennessee Coal, Iron & Railroad Co. stockholders still own all of the coal and minerals that were formerly owned when they owned the stock. That is what you mean?

Mr. YOUNG. I mean that the corporation still own it that owned it then, and that the change in ownership has been a change in stock ownership?

Mr. TOPPING. That is correct, according to my understanding of it.

Mr. YOUNG. Some questions have been asked you as to the growth of the basic process of making rails. Other things being equal, which kind of ore is worth the most per ton—Bessemer or non-Bessemer—to-day?

Mr. TOPPING. Bessemer ore is.

Mr. YOUNG. Is that because there is some peculiar advantage in making Bessemer steel over steel with the basic process?

Mr. TOPPING. That differential, as you know, Mr. Young, has maintained for quite a while.

Mr. YOUNG. Certainly.

Mr. TOPPING. And I think it was established because there was a more limited supply of Bessemer, or to put it in another way, perhaps

more closely held, and the price of it could be better controlled than that of the non-Bessemer, which was pretty generally scattered.

Mr. YOUNG. If the non-Bessemer was just as desirable, no one would buy Bessemer and pay a higher price than they could get just as desirable non-Bessemer for, would they?

Mr. TOPPING. What would he do with his Bessemer plant?

Mr. YOUNG. That is one of the reasons that makes it more valuable, is it not?

Mr. TOPPING. No; that is not the reason, in my opinion. The reason would be, it seems to me, owing to the limited supply of Bessemer, measured by the consumptive requirements of existing Bessemer plants, and to the fact that Bessemer ores are more closely held than non-Bessemers. There are more ownerships in non-Bessemer than there are in Bessemer mines.

Mr. YOUNG. Then, if a corporation having a Bessemer plant desired to use non-Bessemer ores, they would have to change their entire plant, would they not?

Mr. TOPPING. Absolutely. Your Bessemer plant would be thrown in the scrap pile.

Mr. YOUNG. And they would have to sacrifice that amount of property?

Mr. TOPPING. That is exactly right.

Mr. YOUNG. Which is the most expensive process of making steel—I speak of the process and not of the ores that enter into it; the process of making the steel—the Bessemer or the basic?

Mr. TOPPING. That would depend upon the condition of the operating company, as to its scrap supply, and how far it would have to transport the scrap which is used in part of the basic operations, and upon other conditions.

Mr. YOUNG. I do not think you quite understand me.

Mr. TOPPING. Yes; I think I do.

Mr. YOUNG. I do not refer to the question of getting your material.

Mr. TOPPING. But that is involved. To answer your question, Mr. Young, that is involved in the reply. You can not eliminate that element from your question.

Mr. YOUNG. Assuming, however, that you have all your material, my question relates to the simple process, cutting out all other costs.

Mr. TOPPING. I will answer that on our own operations. We expect to make basic just as cheap as Bessemer.

Mr. YOUNG. Just as cheap as Bessemer made where?

Mr. TOPPING. In the Republic Iron & Steel Co.'s operations it is my judgment that we will make our basic steel as cheaply as we will make our Bessemer.

Mr. YOUNG. In other words, you mean that you can make the basic steel at Birmingham——

Mr. TOPPING. No; we do not make any steel at Birmingham. At Youngstown, Ohio, where we use the same raw materials—that is, we mine them ourselves, and our own coke and coal. We have our own Bessemer ores and our non-Bessemer ores. We buy some Bessemer ore, or rather we trade our non-Bessemer surplus for it; but we are on a scrap-content basis of owning the mineral supplies to a large extent, so that there is very little difference in the cost of the

two processes to-day, from our viewpoint; as a matter of fact, Mr. Young, basic steel and Bessemer steel are sold at the same price in the general run of products sold to-day. That answers your question, does it not?

Mr. YOUNG. In substance.

(The committee thereupon, at 1.04 p. m., took a recess until 2 o'clock p. m.)

AFTER RECESS.

The committee met pursuant to taking a recess.

The CHAIRMAN. The committee will resume its session.

STATEMENT OF MR. JOHN A. TOPPING—Continued.

Mr. YOUNG. Mr. Topping, referring to the difference in cost of the manufacture of pig iron in Birmingham and in the Pittsburg district, did I understand that you figured the cost of the ore in the ground at Birmingham at only 2½ cents a ton?

Mr. TOPPING. No.

Mr. YOUNG. You made a statement as to 2½ cents being a fair value for the ore in the ground, based on certain recent sales. In figuring your cost, what value do you put on your ore in the ground?

Mr. TOPPING. I do not know whether this answer would be a fair reply to your question or not, but I can state as a fact that I purchased for the joint account of the Republic Iron & Steel and Tennessee Coal, Iron & Railroad Co.'s a tract of mineral known as the Potter group of mines, and that is supposed to contain—at least, we satisfied ourselves that it contains—something over 70,000,000 tons of iron ore, and the cost of that was about $800,000. Now, if you figure back against that total cost the fee ownership with the total volume of mineral, you can see where you get to as to the value in the ground. That property is owned half by the Tennessee Coal & Iron Co. and half by the Republic Iron & Steel Co. That is the only transaction I have any direct knowledge of within the past five years.

Mr. YOUNG. That is not quite what I was getting at.

Mr. TOPPING. It places a commercial value on the land that contains the mineral.

Mr. YOUNG. You stated that there was a difference in favor of Birmingham of $3 or $4 a ton in the manufacture of pig iron?

Mr. TOPPING. I did.

Mr. YOUNG. In arriving at that conclusion, of course, you must have taken up the different items that go into the cost of a ton of pig iron?

Mr. TOPPING. I did not have in mind any special items, but I carried it in my mind based on my knowledge of the cost north and south, as we operate in both districts; but the principal items, as I stated this morning, are the small cost of assembling the raw materials as against a very high cost of assembling the raw materials north, and also on account of the nominal royalty charged up against pig-iron cost as against a very substantial royalty necessarily charged on ores taken by leaseholds north. These are the principal items.

Mr. YOUNG. That nominal royalty is 2½ cents?

Mr. TOPPING. That is what we figure it, and what we charge up.

Mr. YOUNG. And that is included in your statement?

Mr. TOPPING. Yes, sir.

Mr. YOUNG. In the difference of $3 or $4?

Mr. TOPPING. It is; as are all other items of cost that enter into pig iron, both north and south.

Mr. YOUNG. You stated that about two-thirds of your pig iron went north?

Mr. TOPPING. That is correct.

Mr. YOUNG. On which do you make the larger profit, that which is sold in the South near your works, or that which is sold in the northern markets in competition with northern pig iron?

Mr. TOPPING. That would depend upon many things—the competition in the districts where sold and the disposition of the buyer as to his preference for our particular brand of pig iron as compared with his preference for a Sloss brand or a Tennessee brand. As a general proposition I would say this, that there is not any material difference in the profit made on iron sold North and South, because the base price at the furnace is the basis of the sale usually, and the freight is added to the destination as a rule, except in times like this; for instance, when there is idle capacity and if a southern furnace wants to reach a certain market and displace or crowd out a northern furnace they might make a less price on delivery at Chicago than at Birmingham.

Mr. YOUNG. Do you make a lower price for the ore sold in the southern market than in the northern market?

Mr. TOPPING. No, sir. Do you mean ore or pig iron?

Mr. YOUNG. Pig iron.

Mr. TOPPING. No; decidedly not.

Mr. YOUNG. Then, is not the real reason that you sell so large a proportion of your pig iron in the North due to the fact that there is not a market for it in the South nearer at hand?

Mr. TOPPING. That is the entire reason, the whole reason.

Mr. YOUNG. And that market will not exist there until the business of steel making has expanded and has gone into the higher and more finished products?

Mr. TOPPING. I would not say that. I would say that the market of the South has been constantly growing. I would say that five years ago very much less tonnage than 40 per cent of the production or iron ore South was sold South. To-day our own records show that we are selling 43 per cent.

Mr. YOUNG. That——

Mr. TOPPING (interposing). I have not finished. The growth of the South rather than the increase of production, or the diversity of production of the South, will be the measure of the market demand South. In other words, as the population increases and the development of finished lines of business that consume pig iron or steel increase in the South, just to that extent the demand in the southern markets will increase. That will be the fact whether the production South increases or not. Southern production will not influence the ultimate markets of the South.

Mr. YOUNG. What is pig iron used for mostly?

Mr. TOPPING. In the manufacture of all sorts of castings used by railroads, manufacturing uses generally, stoves, a thousand and one things.

Mr. YOUNG. Is there not a lack of such manufactures as that in the South at the present time?

Mr. TOPPING. I beg your pardon?

Mr. YOUNG. Is there not a lack of such manufactures as that in the South at the present time?

Mr. TOPPING. Finished steel?

Mr. YOUNG. Yes, sir.

Mr. TOPPING. Yes, sir.

Mr. YOUNG. Then, is not your real problem to increase your business, to increase the manufacture of finished products to use your raw material?

Mr. TOPPING. Yes, sir. In other words, if you will diversify and increase the output in various finished lines, you can add to your pig iron sales by selling pig iron in another form, finished, and increase the aggregate of your business naturally.

Mr. YOUNG. When you made this statement to Mr. Ledyard in regard to the value of the property, and so on, you understood, did you not, that it was for the purpose of assisting the sale of the stock at the instance of Mr. Schley?

Mr. TOPPING. I understood it was for the purpose of having an influence on the value of Mr. Schley's stock, which I understood he was endeavoring to sell through Mr. Ledyard.

Mr. YOUNG. In making more certain that he would get a fair purchaser at the right price?

Mr. TOPPING. Yes, sir.

Mr. YOUNG. You let your own stock go in that sale?

Mr. TOPPING. Later on I did; yes, sir.

Mr. YOUNG. It was sold at the same time that all the rest was sold?

Mr. TOPPING. At the same price and under the same conditions.

Mr. YOUNG. What was the reason that induced you to sell your own stock?

Mr. TOPPING. My reason at that time was simply this, Mr. Young: I did not care to remain a minority interest in the stock.

Mr. YOUNG. Very true. Did you feel that you were being squeezed at that price under the conditions, and that any improper methods were used to depress the price?

Mr. TOPPING. I had no knowledge of that.

Mr. YOUNG. Did you have any feeling?

Mr. TOPPING. I had no feeling to that effect.

Mr. YOUNG. You understood, in a general way, Mr. Schley's condition and the situation in the financial circles in New York?

Mr. TOPPING. I, of course, was entirely familiar with the situation in a general sense—the distressed situation down on the Street, as it is expressed.

Mr. YOUNG. And you, I presume, desired to help Mr. Schley?

Mr. TOPPING. I was there as his friend.

Mr. YOUNG. This red ore in the Birmingham district lies in what you might denominate veins?

Mr. TOPPING. Yes, sir.

Mr. YOUNG. What is their dip and incline?

Mr. TOPPING. It varies a little. I think you have had the testimony of engineers on that point which would be more accurate than my own testimony, but I should say 20° to 35° would be somewhere near it, as a general proposition.

Mr. YOUNG. Sometimes less and sometimes greater?

Mr. TOPPING. I do not think less. Sometimes greater. That would be somewhere near an approximate statement.

Mr. YOUNG. And about how thick?

Mr. TOPPING. It varies in that part of the mountain. Sometimes it is 22 feet.

Mr. YOUNG. Can you use all of it?

Mr. TOPPING. No, sir; we do not, as a matter of fact, mine all of it.

Mr. YOUNG. Why not?

Mr. TOPPING. We leave part of it as a roof for the entry, and part of it we leave because it is high in silicon and expensive to smelt.

Mr. YOUNG. About how thick is the portion that you remove, if there is regularity about it, so as to state an average thickness?

Mr. TOPPING. In a general way, 10 or 12 feet.

Mr. YOUNG. How do you support the roof?

Mr. TOPPING. Usually with wooden props, like in the northern region; the same thing—timber.

Mr. YOUNG. With a view to finally letting it in?

Mr. TOPPING. We use the long-haul system in mining, and, of course, take out the pillars and let it drop.

Mr. YOUNG. Finally you take the pillars out?

Mr. TOPPING. Yes, sir; practically the same method that you use, Mr. Young.

Mr. YOUNG. That makes it more expensive mining?

Mr. TOPPING. So far as the hard ore is concerned; yes, sir; but we have brown ore that we mine.

Mr. YOUNG. The red ore is soft?

Mr. TOPPING. Yes, sir. There is also other kinds of ore.

Mr. YOUNG. We have been over that thoroughly. The proportion of brown ore to red ore in volume is very small?

Mr. TOPPING. Yes, sir; very small.

Mr. YOUNG. The brown ore is more valuable?

Mr. TOPPING. For some purposes.

Mr. YOUNG. They are the highest?

Mr. TOPPING. They are not vital to the production of steel. In fact, we use brown ore in our foundry practice in order to increase the amount of magnesia in the pig iron. There are other concerns in the district who use no brown ore, and who are making cheaper pig iron because they use no flux. The Sloss Co. and the Woodward Co. use no limestone—that is, further than a considerable red-ore mixture of self-fluxing character.

Mr. YOUNG. You have to carry your brown ores farther than the red ores to reach the plant?

Mr. TOPPING. Yes, sir; about 12½ cents a ton farther.

Mr. YOUNG. Twelve and one-half cents?

Mr. TOPPING. The freight difference.

Mr. YOUNG. That is 25 cents on the brown ore?

Mr. TOPPING. Yes, sir.

Mr. YOUNG. And 12½ cents on the other?

Mr. TOPPING. Yes, sir.

Mr. YOUNG. I think that is all.

Mr. STERLING. Mr. Topping, you stated, in effect, as I understood you, that the Pittsburg district is discriminated against in rates?

Mr. TOPPING. I do not think I used that term.

Mr. STERLING. You did not use the word "discriminate," but you said that Chicago and the East and South had an advantage over Pittsburg on rates.

Mr. TOPPING. No; I do not think I said that, I beg your pardon.

Mr. STERLING. What did you mean when you said that the business of Pittsburg would be shriveled?

Mr. TOPPING. I meant this: That prior to the development of steel production in finished lines South, prior to the present producing capacity we now have in Chicago, and prior to the development of the Lackawanna and Bethlehem steel companies in the East, that Pittsburg dominated the general broad markets of the United States. To-day she does not, and that her supremacy in the steel business was threatened to the extent that her territory has been encroached upon by these other interests on the outside and will not be able to stand the freight rates that are imposed.

Mr. STERLING. How could the regulation of rates help Pittsburg out of the difficulty? Is it not purely a geographical question?

Mr. TOPPING. Not at all. I am talking about the influence that would operate on the manufacture of steel in Pittsburg, and as to her indifferent stand heretofore to the rates charged for carrying ore from the mines to the upper Lakes, that heretofore she could stand that tax better than she can to-day.

Mr. STERLING. Suppose Pittsburg had to pay more freight on ore from the Lake Superior region than Chicago?

Mr. TOPPING. I am not saying that either. That is not the point involved.

Mr. STERLING. Does Pittsburg pay more?

Mr. TOPPING. As a matter of fact, Pittsburg does, because she has a longer haul.

Mr. STERLING. There is no remedy for that?

Mr. TOPPING. None that I know of, unless you move Pittsburg out to Chicago.

Mr. STERLING. The South has an advantage because it has its ore and coal and lime right there, easily assembled, and that gives the district an advantage over Pittsburg, does it not?

Mr. TOPPING. This is the point that I want to get clearly in your mind, and I do not think you have it, if you will pardon me: When Pittsburg and the broad Pittsburg district had command of the markets of the United States, and did not have the competition from these outside districts now being developed, she was more indifferent to the rates charged on carrying her ores from the mines to her mills, and stood under those conditions for a higher freight rate than she can afford to stand for to-day, because the question of the cost of production enters into the ability of Pittsburg to reach these common markets in competion.

Mr. STERLING. Pittsburg is not paying any higher rates in proportion to the haul than Chicago, is she?

The CHAIRMAN. Pardon me right there. Take structural shapes, is it not true that on everything except rails and structural shapes, things of that kind, they charge in Chicago the Pittsburg rate plus the freight from Pittsburg to Chicago?

Mr. TOPPING. I think that is true that plates sold in Chicago are generally based on Pittsburg rates, basing rate, although I think there have been some exceptions recently made.

The CHAIRMAN. If the rate on structural shapes was $1 a ton——

Mr. TOPPING (interposing). $1.40.

The CHAIRMAN. Per ton?

Mr. TOPPING. No; per hundred pounds, $28 a ton.

The CHAIRMAN. $28 a ton. A man in Chicago buying structural shapes in Chicago, from the mills in Chicago, would have to pay the Pittsburg rate plus the freight from Pittsburg to Chicago?

Mr. TOPPING. That would be the general practice of the mill.

The CHAIRMAN. In other words, they charge up the rate to a customer whether it is shipped at all?

Mr. TOPPING. There is equity in the charge for this reason: In the Chicago district, while the consumer there would pay the equivalent of the Pittsburg price under normal conditions, under general conditions that have prevailed, the Chicago manufacturer has always assumed that he is entitled to some of the advantages of his geographical position, and properly so, I think; and he also endeavors in that charge to cover any added cost he might have for bringing the coal or coke to Chicago, which is near by Pittsburg, so that relatively speaking that charge is not based on the idea of holding up the Chicago consumer, but with the idea of compensating the producer on what might be regarded as a fair basis.

The CHAIRMAN. Notwithstanding that, the fact is that the consumer in Chicago pays for structural shapes just what the consumer in Pittsburg pays, plus the freight. Is it not true that they can produce at the Gary plant shapes at the same cost that they can at Pittsburg?

Mr. TOPPING. I have no knowledge on that subject, Mr. Chairman.

The CHAIRMAN. I have been so advised by competent engineers.

Mr. STERLING. I was speaking particularly of freights on iron ore. There is no just way in which Pittsburg could be compensated for Chicago's advantages?

Mr. TOPPING. Yes; there is, Mr. Sterling.

Mr. STERLING. By freight rates?

Mr. TOPPING. Absolutely so.

Mr. STERLING. How?

Mr. TOPPING. If you will study the map, you will see that when they bring the ore from the mines to the upper Lakes Chicago will get the same advantage that Pittsburg will get in any reduction from the mines to the upper Lakes. Chicago would then have its own vessel rates. Pittsburg would have the advantage of any reduction in the rate from Lake Erie to the Pittsburg district.

Mr. STERLING. And the rates would be relatively about the same?

Mr. TOPPING. Not necessarily. I do not think we have a right to assume that the same conditions would maintain. That would be a matter of investigation and adjustment on the equity of the case.

Mr. STERLING. Suppose the railroads carrying ore from the mines to the water's edge reduced their rates 50 per cent, Chicago would get the benefit of that as well as Pittsburg, and so their relative position would be just the same; Chicago would still have an advantage in the market conditions over Pittsburg?

Mr. TOPPING. Suppose, on the other hand, the rates are reduced rather more in Pittsburg's favor than in Chicago's, based on the equity of the case——

Mr. STERLING (interposing). Do you think that would be fair to Chicago?

Mr. TOPPING. If the equity is there, it would be.

Mr. STERLING. Do you think it is proper for the Interstate Commerce Commission to put Pittsburg on the same plane with Chicago with reference to ore rates?

Mr. TOPPING. I think it is proper for the Interstate Commerce Commission to fix the rate based on a fair profit per mile or train mile.

Mr. STERLING. Is it a proper thing for the Interstate Commerce Commission to do, to wipe out the geographical advantages for one concern as against another?

Mr. TOPPING. I certainly do not think so.

Mr. YOUNG. Is not your position——

Mr. TOPPING (interposing). I do not think Mr. Sterling gets clearly in his mind the effect of his question.

Mr. YOUNG. Is not your claim this, that through the natural advantage which Chicago has by reason of its nearness to the ore that the railroad companies from Lake Erie ports to Pittsburg have added an unfair advantage of charging a too high rate?

Mr. TOPPING. I will answer your question in this way: Away back in the eighties, or prior to 1890, my recollection is that we had a rate of freight from the Ohio Valley to Chicago of 12½ cents per 100 pounds. That was a published tariff rate. I may be wrong as to the exact date. There was a rate in effect in that early period. The rate of freight on iron ore from the Lake Erie ports to the Ohio Valley district ranged from 50 cents to 60 cents a ton, as I remember them.

I think the Valley district—the Youngstown rate was even below that—had a rate of about 50 cents. The rate to the Valley to-day is 85 cents. The rate to Chicago from the Valley on finished material is 18 cents. There is a great big increase in the traffic charges both on ore to the mills and on the finished product from the mills to the Chicago district. That traffic has increased certainly enormously and the local business has multiplied the profits of the railroads to such an extent that it would seem to me that there would be a fair opportunity for some reduction in rates without impairing the earning power to any unreasonable extent.

Mr. YOUNG. But what you are complaining of is the rates from the Lake Erie ports to Pittsburg, and the rates from the Ohio Valley to Chicago?

Mr. TOPPING. Just as I stated; I think it is unfair.

Mr. STERLING. Do you make steel rails now?

Mr. TOPPING. We do not.

Mr. STERLING. Have you ever made them?

Mr. TOPPING. Yes, sir.

Mr. STERLING. How long is it since you quit?

Mr. TOPPING. Since 1905 we have not rolled any rails. We rolled a few in 1905. I think we closed up our business at that time.

Mr. STERLING. Did the competition of the United States Steel Corporation have anything to do with your ceasing to make rails?

Mr. TOPPING. Nothing whatever.

Mr. STERLING. What are the principal products of your corporation that are in competition with the products of the United States Steel Corporation?

Mr. TOPPING. Steel bars and steel in its various crude forms.

Mr. STERLING. Plates?

Mr. TOPPING. We will be making plates in a short time. We are building a mill at the present time, bolts, nuts, pipe, and tubular products.

Mr. STERLING. Are your prices in the market just the same as the prices of the United States Steel Corporation?

Mr. TOPPING. I do not know what their prices are at the present time.

Mr. STERLING. You lowered your prices recently?

Mr. TOPPING. Yes, sir; on our entire line of products.

Mr. STERLING. At the time you lowered them, how did your prices compare with the prices of the United States Steel Corporation?

Mr. TOPPING. I do not know that I can answer that question.

Mr. STERLING. How?

Mr. TOPPING. I have no knowledge as to what their prices were.

Mr. STERLING. You know what prices you were competing with?

Mr. TOPPING. In a general way, but I am not prepared to say what their specific prices were for specific things. That is a matter for the salesmen to look after.

Mr. STERLING. Did you cut prices for the purpose of extending your trade in a new territory?

Mr. TOPPING. We cut prices for the purpose of meeting competition and with the hope of increasing our volume of business, and in that we were very successful.

Mr. LITTLETON. Has the United States Steel Corporatiton established any retail concerns?

Mr. TOPPING. Yes, sir.

Mr. LITTLETON. Where?

Mr. TOPPING. They have one here in the East, I believe one at Chicago—the Illinois Steel Co.—and one at St. Louis, Pittsburg, and Cleveland.

Mr. LITTLETON. How long has it been since they entered the retail business?

Mr. TOPPING. I do not think that has been done; I do not know that you could properly characterize it as a retail business; it may be, in a sense.

Mr. LITTLETON. Jobbing?

Mr. TOPPING. The jobbing business within the last three or four years, I think.

Mr. LITTLETON. What effect has that had on the jobbing trade?

Mr. TOPPING. About that I am not prepared to say.

Mr. LITTLETON. How extensively have they gone into the jobbing business?

Mr. TOPPING. To the extent I have named at those four points.

Mr. BARTLETT. I would like to ask you a few questions, Mr. Topping. You have stated that you went to see Mr. Ledyard with a view of aiding Mr. Schley in disposing of his stock, and that when that stock was disposed of you sold yours because you did not want to become a minority holder of stock in the Tennessee Coal & Iron Co. Is that right?

Mr. TOPPING. Substantially to that effect, although I went to see Mr. Ledyard at Mr. Schley's suggestion; not voluntarily.

Mr. BARTLETT. Not for the purpose of selling your stock, nor with the idea or intention of selling a majority of the stock?

Mr. TOPPING. I had no knowledge of the intention of my visit; I afterward learned.

Mr. BARTLETT. What you said to Mr. Ledyard in reference to the value of these properties of the Tennessee Coal & Iron Co. was done with no view to showing or aiding in the selling of your stock or a majority of the stock?

Mr. TOPPING. Not at all. Let me correct that. I did not talk specific values and what the Coal & Iron Co.'s property was worth to Mr. Ledyard. I only told him what I knew of the property, its mineral dimensions, and as to the possibilities that I thought were there in the development of the property, and the profits to be made ultimately by possession.

Mr. BARTLETT. With a view solely of showing the value of the stock, whether it was a minority or a majority holding in that property?

Mr. TOPPING. Not with that view solely, because I did not know just exactly what I was talking with Mr. Ledyard for at the time. I told him a truthful story of what they had for Mr. Ledyard's information, to be used in such way as he and Mr. Schley thought proper to use it. I had no specific purpose in mind in talking to him except to represent the facts as I believed them to exist. I was not booming Tennessee stock nor trying to exaggerate the value of the property.

Mr. BARTLETT. That is why I asked the question.

Mr. TOPPING. And I am trying to make it clear.

Mr. BARTLETT. When did you first learn that the project was to sell a majority of the stock, the holdings of the syndicate, as well as Mr. Schley's stock?

Mr. TOPPING. I think it was on Monday, November 3—about that date.

Mr. BARTLETT. That was after Mr. Frick and Judge Gary had gone to Washington. They returned Monday?

Mr. TOPPING. It was Monday afternoon or, I believe, Monday morning—somewhere near 10 o'clock, as I remember it.

Mr. BARTLETT. Who did you learn that from, and where did you learn it?

Mr. TOPPING. I came by appointment as a member of the executive committee of the Tennessee Coal & Iron Co. to meet the other members of the committee at Mr. Schley's office.

Mr. BARTLETT. At Mr. Schley's office?

Mr. TOPPING. Yes, sir.

Mr. BARTLETT. So far as you then knew the affairs of the Tennessee Coal & Iron Co. were not in a condition serious enough to require the sale of its stock nor a change of its control?

Mr. TOPPING. The Tennessee Coal & Iron Co. at that time, as I believed, was entirely solvent.

Mr. BARTLETT. Whether Mr. Schley's stock had been sold or was sold, or whether a majority or a minority of the stock had been acquired by the United States Steel Corporation or anyone else, would not have affected the financial condition of the Tennessee Coal & Iron Co., would it?

Mr. TOPPING. It might have done so indirectly, but Mr. Schley's ownership of that stock did not affect it. If Mr. Schley had not sold

that stock, as I believe he has testified himself, it might have brought troubles that would have indirectly involved us and other manufacturers and everybody else in the street, but the sale of Mr. Schley's Tennessee Coal & Iron stock did not involve the solvency of the Tennessee Coil & Iron Co. in any way whatever, except so far as the general solvency of the country might have been involved if the panic had become intensified. Does that answer your question?

Mr. BARTLETT. Yes, sir; I think it does. Do you know anything about any agreement to maintain a level of prices on steel rails or steel products?

Mr. TOPPING. I do not.

Mr. BARTLETT. When did you begin to cut prices, Mr. Topping—some time in June last?

Mr. TOPPING. I think we announced our price schedule on the 24th of May, as I remember it.

Mr. BARTLETT. There had been conferences prior to that time, and what was known as the Gary dinners at which prices had been discussed?

Mr. TOPPING. Yes, sir.

Mr. BARTLETT. Was it not the purpose of those dinners to discuss prices and have a kind of gentlemen's understanding that they were to be maintained?

Mr. TOPPING. I would not so characterize them.

Mr. BARTLETT. Is it not true that, following the cutting of prices by your concern, they did have another Gary lunch, or dinner, in which the fact that the prices had been cut was suggested and somewhat criticized by the men attending the dinner?

Mr. TOPPING. I have no direct knowledge as to the subsequent meeting that you refer to.

Mr. BARTLETT. You had been a guest at some of the dinners?

Mr. TOPPING. I had attended a number of them.

Mr. BARTLETT. You were not a guest at the last dinner?

Mr. TOPPING. I do not know anything about the last dinner, or luncheon, nor supper.

Mr. BARTLETT. You were not an invited guest after you cut the prices?

Mr. TOPPING. I was not present at the meeting.

Mr. BARTLETT. You were persona non grata at the dinners after you cut the prices?

Mr. TOPPING. I do not know. I did not assume I was. We still "speak as we pass by."

Mr. BARTLETT. That is all.

Mr. BEALL. You did hear about there being a luncheon about May 4, did you not?

Mr. TOPPING. How is that?

Mr. BEALL. Did you have any information that there had been a luncheon—one of the Gary luncheons—to which you were not invited?

Mr. TOPPING. I only know from hearsay. I do not know anything specifically.

Mr. BEALL. Did you see any account of any such luncheon in the newspapers?

Mr. TOPPING. What date do you refer to?

Mr. BEALL. I think it was the 4th of May, after the Republic Iron & Steel Co. announced its price reduction.

Mr. TOPPING. That was the 24th of May.

Mr. BEALL. Well, the 24th of May.

Mr. TOPPING. I have no direct knowledge.

Mr. BEALL. I know that, but was it your understanding that there was such a luncheon?

Mr. TOPPING. I can not say that I had any understanding.

Mr. BEALL. Did you have any information?

Mr. TOPPING. You can not always believe what you read in the newspapers.

Mr. BEALL. You did learn through the public prints that there was a luncheon?

Mr. TOPPING. I understood so by the newspaper accounts.

Mr. BEALL. To which you were not invited?

Mr. TOPPING. I certainly was not there.

Mr. BEALL. Had you been invited to all previous dinners?

Mr. TOPPING. I am not sure whether I was invited to all of them. I attended some—how many I do not know.

Mr. BEALL. Do you recall the circumstances that immediately after that luncheon, about the 24th of May, the newspapers contained a statement purporting to have been issued by Judge Gary announcing a schedule of prices for various steel products?

Mr. TOPPING. He announced his own.

Mr. BEALL. Yes, sir.

Mr. TOPPING. Not the prices of any other company, according to the statement I saw.

Mr. BEALL. I understand he announced a schedule of prices immediately after the time that there was supposed to have been a luncheon?

Mr. TOPPING. I saw that announcement in the papers; yes, sir.

Mr. BEALL. Did the schedule of prices announced conform to the schedule of prices adopted by your company?

Mr. TOPPING. We did not have any schedule, and so I can not answer that question. Our schedule changed every minute for awhile.

Mr. BEALL. When did it begin to change as rapidly as that?

Mr. TOPPING. On May 24, and thereafter.

Mr. BEALL. Do you know whether there was any connection between the last Gary luncheon and the fact that you had made a change in your schedule of prices?

Mr. TOPPING. I have no knowledge of that; no, sir.

Mr. BEALL. Did you have any impression in your own mind at the time that there was any connection?

Mr. TOPPING. I do not know that I remember what my impression was at that time.

Mr. BEALL. That has only been three or four months ago?

Mr. TOPPING. Well, my impressions change very rapidly, like my price list.

Mr. BEALL. Do you not remember what your impression was at that time?

Mr. TOPPING. I do not.

Mr. BEALL. Do you not remember that your impression was that the change of prices announced after the Gary luncheon had something to do with the changes that had been made by the Republic Iron & Steel Co.?

Mr. TOPPING. I will answer you in this way as to that: When it was known that our prices had been reduced, it was the most natural thing for our competitors to try to meet the competition; but we made no public announcement of our schedule, so that the schedule that they announced for their own products covered things that we do not make, I think, pretty largely.

Mr. BEALL. Do you know whether about that time they made any change in the prices of products that you did make?

Mr. TOPPING. Naturally, I assume they did, without any direct knowledge on the subject. If they did not, they would not have gotten much business.

Mr. BEALL. What was the purpose of the Gary dinner?

Mr. TOPPING. A general desire on the part of manufacturers to meet together for an interchange of opinions on matter that would be to their mutual advantage, and for good-fellowship and better acquaintanceship.

Mr. BEALL. What would be some of those subjects that would be to their mutual advantage? What do you mean by that—"to their mutual advantage"?

Mr. TOPPING. General discussions of commercial questions, sociological questions, technical questions, and otherwise.

Mr. BEALL. And financial questions?

Mr. TOPPING. Possibly; anything of common interest.

Mr. BEALL. And to consider the price of steel products?

Mr. TOPPING. Not in a specific sense.

Mr. BEALL. In a general sense?

Mr. TOPPING. Naturally so; in a general sense.

Mr. BEALL. Was not one of the main subjects of discussion at the Gary dinners the necessity and obligation that each steel manufacturer has to the others to maintain prices?

Mr. TOPPING. There was no obligation.

Mr. BEALL. Well, frequently an appeal made to men's honor; that they were in honor bound to maintain prices?

Mr. TOPPING. I do not think that anybody at those meetings felt that they were honor bound to do anything more than to take care of their business as their own judgment suggested it should be cared for.

Mr. BEALL. Have you not heard the statement frequently made at the Gary dinners that an obligation to each other was more binding than it would have been if reduced to writing?

Mr. TOPPING. There may have been something of that kind said by some of the speakers, but it is a good deal like the after-dinner remarks you hear at a great many dinners, when there are a few bouquets passed around the table, and I think beyond that it had no significance.

Mr. BEALL. You think the Gary dinners had no significance beyond the exchange of bouquets and congratulations?

Mr. TOPPING. Yes; and general information.

Mr. BEALL. And dissertation, such as generally occur at a banquet?

Mr. TOPPING. Decidedly. My general statement as to the object of those dinners covers my understanding of their purpose.

Mr. BEALL. I believe you stated that your connection with the United States Steel Corporation ended in 1905?

Mr. TOPPING. I did.

Mr. BEALL. For what length of time had you been connected with the United States Steel Corporation?

Mr. TOPPING. I think from 1900 to 1905—five years, according to my recollection.

Mr. BEALL. From the time of the organization of the company, then, up until 1905?

Mr. TOPPING. Yes.

Mr. BEALL. In what capacity were you connected with that company?

Mr. TOPPING. I was first vice president of the American Sheet Steel Co. at the time of its organization, and afterward became the president of the Consolidated Sheet Steel & Tin Plate Co.

Mr. BEALL. How many other tin plate companies were there in this company, manufacturers of tin plate?

Mr. TOPPING. I do not know that I can recall, Mr. Beall.

Mr. BEALL. Were there a number?

Mr. TOPPING. Yes; quite a number. I would not be specific as to that, but I should say at that time we controlled somewhere near 65 or 70 per cent of the sheet and tin plate output at that time.

Mr. BEALL. To what extent, during the time you were connected with the tin plate company, was there a level of prices maintained by the different manufacturers?

Mr. TOPPING. There was not any. My business at that time was to make competition just as uncomfortable as I knew how and get the business, which I did.

Mr. BEALL. The same condition did not prevail then as prevailed with regard to steel afterwards?

Mr. TOPPING. I do not know what prevailed after I left the corporation.

Mr. BEALL. Well, up to the time you left the corporation.

Mr. TOPPING. I knew nothing about steel rails. I had nothing to do with that part of the business.

Mr. BEALL. Before you became connected with the United States Steel Corporation, with what companies were you connected?

Mr. TOPPING. As I stated this morning, I was president of the Aetna Iron & Steel Co., and president of the La Belle Iron Works.

Mr. BEALL. Did you hold that relation to those companies up to the time of the organization of the United States Steel Corporation?

Mr. TOPPING. The first-named company sold all of its interests to what is now the Steel Corporation. The La Belle Co. is still an independent company.

Mr. BEALL. And your first connection with any company associated with the United States Steel Corporation began in 1901?

Mr. TOPPING. In 1900.

Mr. BEALL. You stated you could manufacture pig iron in the Birmingham district three or four dollars a ton cheaper than anywhere else?

Mr. TOPPING. I did, varying with the class of pig iron and the character of the pig iron.

Mr. BEALL. In your judgment for what could a ton of pig iron be made in the Birmingham district now, by a well-equipped plant?

Mr. TOPPING. Do you regard that as a pertinent question? That is a matter that bears on our own operation. I do not think I care to answer that question.

Mr. BEALL. Well, for what could it have been produced in 1907, about the 1st of November——

Mr. TOPPING (interposing). About $9 a ton.

Mr. BEALL. By the Tennessee Coal & Iron Co.

Mr. TOPPING. It varied somewhat with the condition of the furnaces. It would vary from $9 to $10.50 at that time.

Mr. BEALL. With a furnace such as you had in process of construction at that time?

Mr. TOPPING. The cost at that time was high, due to the fact that the mines were undeveloped and we did not have a full supply of minerals of the character we should have had to put into the furnaces, and the costs were variable; but, in a general way, they would fluctuate from $9 to $10.50 a ton.

Mr. BEALL. Did you have at that time a modern and well-equipped plant for the production of pig iron?

Mr. TOPPING. As I have stated, it was undergoing a period of rehabilitation, and we were operating an old plant and reconstructing it at the same time. In other words, we were tearing down the old house while still living in it, and we were not operating under conditions that would show what might be done under favorable conditions with modern equipment, and therefore I can not answer your question.

Mr. BEALL. Suppose at that time you had been operating a modern, well-equipped plant, with the property of the Tennessee Coal & Iron Co. in operation as you expected to have it when your improvements were completed, at that time what would your judgment be as to what would have been the cost of production of a ton of pig iron under those conditions?

Mr. TOPPING. Roughly stated, about $9 per ton, somewhat more or less, varying with the class of iron you were making.

Mr. BEALL. Well, you were producing steel rails at that time?

Mr. TOPPING. We were.

Mr. BEALL. Suppose you had a modern, well-equipped plant at Birmingham for the production of steel rails, at what price could you have produced them at that time?

Mr. TOPPING. Mr. Beall, answering that question, I can only answer it based on the estimate we made at the time we made up our appropriation. When you talk about the price or cost of steel rails, it depends upon what you mean by the cost.

Mr. BEALL. I mean for you to take into consideration every element you think proper to be taken into consideration in estimating the cost of production.

Mr. TOPPING. About $22 a ton.

Mr. BEALL. You do not think you could have produced them for less at that time?

Mr. TOPPING. Not for the market, but less at the factory. If you take into consideration your overhead charges, depreciations, and those things, I would say $22 would be a fair estimate.

Mr. BEALL. And it is your judgment that all those elements you have mentioned should be taken into consideration in determining the price?

Mr. TOPPING. They should be, absolutely. You have got to rebuild a rail mill every 20 years, and the item of depreciation is a big item, particularly in the steel business, and it should not be treated lightly.

Mr. BEALL. In the Lake Superior district, you are dependent very largely on the corporation's roads in getting your ore down to your mill?

Mr. TOPPING. To the extent I stated this morning.

Mr. BEALL. You are dependent on the corporation's roads and the Hill road to a very large degree?

Mr. TOPPING. The statement I submitted shows exactly as to how dependent we are.

Mr. BEALL. Do you have any trouble in securing transportation?

Mr. TOPPING. None whatever.

Mr. BEALL. If you should have trouble of that kind, it would be a very great inconvenience to you?

Mr. TOPPING. The service over both roads has been equally good. The car service has been first class.

Mr. BEALL. And one of the elements of good service is promptness in furnishing to you, upon demand, proper shipping facilities?

Mr. TOPPING. That is one of the essentials; certainly.

Mr. BEALL. If they were disposed to do so, which, as I understand, they have not been so far, they could subject you to a great deal of annoyance and a great deal of trouble.

Mr. TOPPING. Not under the present conditions of control of common carriers; perhaps not.

Mr. BEALL. What are the conditions which you think would eliminate the possibility of that happening?

Mr. TOPPING. Well, you have got the Interstate Commerce Commission. They would regulate any unfair practice which would suggest discrimination. There has been no discrimination either in the car service or in the rates, because the rates are maintained equally for all of them. The complaint is against the entire situation.

Mr. BEALL. Might you not be subjected to great inconvenience and great trouble and still not be able to demonstrate that there was a willful discrimination against you?

Mr. TOPPING. That is possible to conceive, but I have not had any experiences that would suggest that that would be done; the contrary is the case.

Mr. BARTLETT. You spoke about cutting prices on those products. How long before May of this year had your prices been about the same as the United States Steel Corporation? How far back?

Mr. TOPPING. Mr. Bartlett, I will have to go back and say again that I have no specific or direct knowledge as to the exact prices the United States Steel Corporation maintained; and I will say this, without any qualification, that we maintained our own prices, because we thought it was necessary to maintain them, for the reason that having sold the year previous a large amount of material under contract, partly delivered, which was going to our customers, all of whom—or many of whom, at least—had large stocks of material unused on hand, we naturally would defer reducing prices until the end of the manufacturing season, so that we would avoid imposing upon them any depreciation or shrinkage on their stock. That was our chief reason for standing pat, I may say.

Mr. BARTLETT. You do not think in reducing prices you broke the golden rule which Judge Gary says ought to be maintained between you gentlemen who manufacture steel, of having regard to the business of your neighbor or your competitor in making your prices?

Mr. TOPPING. I am not conscious of having broken the golden rule, so far as it pertains to that particular principle.

Mr. BARTLETT. Then you do not belong to that class of men engaged in commerce or business of any kind who desire the Government to take charge and regulate your business and regulate your prices, do you?

Mr. TOPPING. I have no special desire to have the Government manage my business; no, sir. I am afraid I will lose my job if they do.

Mr. BARTLETT. Do you think the reduction of prices by your company might be classed as destructive competition, so far as the United States Steel Corporation is concerned, or other gentlemen engaged in like business with yourself?

Mr. TOPPING. I have understood it to be very destructive to us. I do not know how it would affect the other fellow, but we are still in the business.

Mr. YOUNG. Do you export?

Mr. TOPPING. We do not.

Mr. BARTLETT. You are not as great a Socialist as Judge Gary is when he says he desires the Government to control the steel business?

Mr. TOPPING. I am not quite in accord with the Judge on that proposition, although I am very fond of him otherwise, as a man.

The CHAIRMAN. Mr. Topping, were you appointed a delegate to Brussels?

Mr. TOPPING. I was requested to go.

The CHAIRMAN. Were you asked to go before the modification of prices by the Republic Iron & Steel Co.?

Mr. TOPPING. I declined to go long before we made any public announcement of our intention.

The CHAIRMAN. Did you notify Judge Gary of your intention before you cut your prices?

Mr. TOPPING. I think I did informally tell him that I felt it to the interest of our company to reduce our prices, and that we would probably do so.

The CHAIRMAN. Why was it necessary to tell Judge Gary beforehand, Mr. Topping?

Mr. TOPPING. I do not know that it was particularly necessary, but there was no reason why we should conceal it.

The CHAIRMAN. No; but I thought maybe you had some reason for it other than that it was just a matter of conversation.

Mr. TOPPING. It was a matter of courtesy.

The CHAIRMAN. You have certain trade journals, have you not, Mr. Topping, which are authorities in this country and abroad?

Mr. TOPPING. Yes.

The CHAIRMAN. What is the trade journal in this country which is regarded by the men in your business as an authority, just like the doctors have certain publications which they regard as valid and binding as to truthful exponents of the science of surgery, and just

as the lawyers have certain books they regard as authorities. Have you any trade journals which you regard as authoritative in stating conditions that may exist in the steel industry?

Mr. TOPPING. Yes; there are two papers which are regarded as authorities on trade matters, the Iron Trade Review and the Iron Age. They are supposed to be the representative papers in our line of business.

The CHAIRMAN. What is the great trade journal in Great Britain?

Mr. TOPPING. I do not know that I could name all of them. I think the Ironmonger is one of them.

The CHAIRMAN. Do you regard that publication as an authority?

Mr. TOPPING. I can not say that it is an authority, because I do not know.

The CHAIRMAN. Do you regard it as a truthful exponent of trade conditions?

Mr. TOPPING. I have no reason to assume it is not. I do not know anything to the contrary.

The CHAIRMAN. I want to read you a portion of a very interesting article in that trade journal:

The Rheinisch-Westfalische Zietung, which is preeminently the organ of the German steel interests, in its issue of July 6 published an account of the Iron and Steel Makers' conference at Brussels, stating that the careful manner in which the official communications were drawn up warranted the conclusion that the object had a deeper significance than the mere academic treatment of questions relating to labor, wages, and freights. "We can scarcely believe," observes our contemporary, "that all the representatives of the large German concerns, including Herr Thyssen, would have traveled to Brussels merely for the solution of academic questions. It is obvious that we have here to do with the treatment of practical business matters, notably the regulation of international questions of prices and markets, for the purpose of avoiding mutual competition, and especially mutual price cutting."

"To satisfy the public, the social-political objects (which, of course, it is also possible for such a conference to pursue) are dragged into the foreground, while at the same time care is taken not to give too much prominence to the trust idea (sic), which forms the groundwork of the gathering, thus avoiding the arousing of general attention. But the discussions appear to be turning on nothing more or less than international steel trust, an idea which has long hovered before the minds of Herr Thyssen and the Americans, and for the realization of which the time is now favorable. All over the world the price level of raw materials and manufactures of iron has fallen to a point which is in sharp contrast with the activity in the industry, and in the raising of which all iron-producing countries are equally interested. Judge Gary, in his opening speech, touched aptly upon these crucial questions, and, if we are well informed, the Americans have brought with them in their pockets practical proposals on the problem of how to bring under common control the international fixing of prices, and the international output. It will certainly not be easy to carry this into effect. The sessions dealing with these problems are being conducted secretly."

After recapitulating Judge Gary's views as set forth in his speeches, the article proceeds: "It may be taken for granted that Judge Gary will find additional supporters of his views among the German industrialists, although among the latter there are likewise men who are not prepared to agree without more to do to the extension to the other iron-producing countries of American economic principles, as embodied in the American trusts.

"It is noteworthy that the man who declined to make the regulation of price questions a subject if international agreement was Herr v. Bodenhausen, the representative of Messrs. Krupp. That gentleman (if our information from Brussels is correct) desires, on the contrary, to give the first place to questions of labor and wages. It may be regarded as probable that if the projected international understanding should come to pass, the chances for the renewal of the German Stahlwerkesverband will be improved, and incidentally it will

now no longer be regarded as a mere accident that there has been so much delay in commencing the negotiations for the renewal of the Verband."

A FAR-REACHING UNDERSTANDING.

In a subsequent issue the Rheinisch Westfalische Zeitung states that it has been informed by the manager of a German works, who was present at the conference, that neither questions of labor nor of wages had been discussed there. Moreover, said this informant, such questions can never form a subject of discussion among the works of different countries, because the methods of production and the social institutions of the various nations concerned differ far too widely to make it possible to regulate such matters on a uniform plan. The discussions were of a very general character, the main object being to make those who attended personally acquainted with each other and to enable them to discuss economic questions. It is not impossible that the conference may afterwards bear fruit in the establishment of definite agreements with regard to the prices and the sale of products; but it is necessary, first of all, to find out what are the matters of general interest on which negotiation would be possible, and with that object a committee has been formed consisting of five members, each belonging to "industrial circles in America, England, and Germany" (sic). "There can be no doubt," concludes our German contemporary, "that this meeting constitutes the first beginning of a far-reaching international understanding."

What do you think about that?

Mr. TOPPING. Very important, if true; but I do not know anything about the truth of it. I was not there.

The CHAIRMAN. Mr. Topping, do you believe, as a practical business man, that this effort now being made in Brussels to fix prices uniformly by the various nations of the world will escape the parliaments of Europe, will escape the attention of lawmakers there, as price fixing has escaped the lawmakers here; and that this American custom, of which they speak, these contracts which these men, they say, have in their pockets, can be fastened on the rest of the world, and that the conditions now existing in the United States can be made to encircle the globe? Do you think that is a possibility?

Mr. TOPPING. I doubt it very much. Even if that were attempted, I do not believe it is a practical thing to accomplish. That is merely my opinion.

The CHAIRMAN. That is all, Mr. Topping. We are very much obliged to you for your attendance.

(Whereupon the committee proceeded to the consideration of executive business, after which it adjourned.)

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No. 18

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

August 4, 1911

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

THE UNITED STATES STEEL CORPORATION.

SPECIAL COMMITTEE ON THE INVESTIGATION
OF THE UNITED STATES STEEL CORPORATION,
New York, Friday, August 4, 1911.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

There were also present: Messrs. Bartlett, Littleton, Beall, McGillicuddy, Young, Sterling, and Danforth.

The CHAIRMAN. The committee will resume its session.

STATEMENT OF CHARLES M. SCHWAB.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Mr. Schwab, you are the president of the Bethlehem Steel Co. at present?

Mr. SCHWAB. I am.

The CHAIRMAN. At the time of the formation and incorporation of the United States Steel Corporation you were the president of the Carnegie Steel Co., were you?

Mr. SCHWAB. I was.

The CHAIRMAN. You subsequently became president of the United States Steel Corporation?

Mr. SCHWAB. I did.

The CHAIRMAN. You actively participated in such arrangements and negotiations as were made prior to the time of the formation of the United States Steel Corporation?

Mr. SCHWAB. I did.

The CHAIRMAN. I believe you made the first suggestion which ultimately led to the formation of such concern?

Mr. SCHWAB. I can not answer as to that positively, Mr. Chairman, but I know that it was a matter in my mind and discussed by me at that time.

The CHAIRMAN. I will ask you, Mr. Schwab, without putting to you categorical questions, to start with the first proposition that was ever made to Andrew Carnegie touching the sale of his interest in the property, or the first statements that were ever made by him indicating a willingness to dispose of his property, and tell the whole story of all that was said and all that was done by you, by Andrew Carnegie, and by Mr. J. P. Morgan between the time that the first negotiations were started and the time that the United States Steel Corporation was finally an accomplished fact?

Mr. SCHWAB. Well, Mr. Chairman, I am very glad of the opportunity to once and for all tell the definite story about which there

have been so many misrepresentations and misstatements, and if you will be patient I will do so with such detail as I can remember at this time.

The CHAIRMAN. We will hear you with pleasure, as well as patience.

Mr. SCHWAB. I thank you.

In the fall of 1899, and while I was the president of the Carnegie Co., Mr. J. Edgar Simmons, a banker of New York, and Mr. Charles Stewart Smith, also an important business man of New York, and particular friends of mine, tendered me a dinner at the University Club and invited to that dinner some 70 or 80 of New York's most distinguished financiers and business men.

Mr. BARTLETT. In 1899?

Mr. SCHWAB. That is my recollection; yes, sir.

I was very much flattered and honored at this dinner, and had the pleasure of making some remarks that evening for the company, and chose as my subject my idea of the future development of manufacture in the United States, especially as relating to our industry; and while I expected to occupy but a few moments, the matter was of such great interest to the gentlemen that much time was taken. I explained at that meeting the very great advantages that would result in manufacture from such an organization as the United States Steel Corporation, and I gave my reasons in detail to them. First of all, that instead of manufacturing steel as it was then manufactured by a number of companies, each of whom manufactured the same lines, it was my idea that the organization to be truly successful and to control the business of the world—I mean to have eminence in the business of the world—should be made of such a character that one mill could be run on one product and not one mill on 50 products, as was then the practice. That by such a method of conducting business they would economize greatly in the cost of operation, and consequently that the distribution of materials from those mills would effect a very great economy; that instead of Pittsburg shipping steel to Chicago and Chicago shipping steel to Pittsburg and the East, they could deliver from the factories at the least possible cost. Not only that, but all other matters pertaining to the conducting of the business, such as selling, etc., would effect similar economy.

I paid particular attention at that time to state that my idea of this great organization was not with a view of establishing any arrangement with reference to the limitation of production, or the increase or maintenance of prices, but that the economies resulting from these things would be so great as to make capital invested in any of the individual enterprises much more profitable.

I cited, for example, the possibility of taking the ninety-odd blast furnaces then in the corporation and preparing an individual cost sheet each month showing the relative position of each furnace with reference to the operations. In other words, the inciting of the skill of the various managers to the production of the best results, and I made an estimate that in that item alone a very great saving would be made, and so strongly has that idea ever since remained with me that at the recent Brussels conference of steel manufacturers I advocated the idea of the independent steel manufacturers of the United States comparing cost as the Steel Corporation did

amongst its individual companies for the ultimate benefit of the steel industry. I believe that the same result——

The CHAIRMAN (interposing). Right there, if you will permit me to interrupt you?

Mr. SCHWAB. Yes, sir.

The CHAIRMAN. You proposed that the various independent companies should compare their cost?

Mr. SCHWAB. Yes, sir.

The CHAIRMAN. Did you propose that each one of those companies should give to each of the other companies an itemized, accurate, and detailed statement of the cost of the production of its articles?

Mr. SCHWAB. I did.

The CHAIRMAN. Let me understand you then a little more definitely.

Mr. SCHWAB. Yes, sir.

The CHAIRMAN. Do you mean to say that one concern should give to its competitors the cost of mining its ore, the actual cost of its transportation, the actual cost of the mining of its coal, of the making of that coal into coke, of the transportation of the coke to the oven, the cost of procuring its limestone, and the formulas by which these various constituents were mixed in the blast furnace, the patents, and all the details of operation by which the 4 or 5 tons of material mixed by the most skillful chemists should be made into a ton of pig iron, and would give them all those valuable trade secrets when they were in competition?

Mr. SCHWAB. I did; absolutely.

The CHAIRMAN. Do you believe that they could do that in this country without injury to each other?

Mr. SCHWAB. Not only do I believe they could do it, but I know that in most of the instances you have named they do do it.

The CHAIRMAN. They do do it?

Mr. SCHWAB. Yes, sir. May I proceed?

The CHAIRMAN. Yes, sir.

Mr. SCHWAB. The British Iron and Steel Institute, which is one of the great organizations of the world, is principally occupied each year in the discussion of the very problem that I proposed in a technical way. I proposed to extend it still further and to compare all the items that go into the cost of making a ton of pig iron—for example, at the various independent plants throughout the United States—because, as a matter of fact, the technical questions of which you speak, like transportation, the cost of mining ore, the making of coke, and similar things, are already well known by all of them.

The CHAIRMAN. Now, Mr. Schwab, if you will permit another interruption, suppose this committee should ask you to furnish to us a cost sheet showing the operation of one of your great blast furnaces, the constituent elements of iron that go into it, the actual cost of every detail, of mining, transportation, and smelting from the time that the first raw material was taken from the bowels of the earth until the slag was in one place and the ore in another, would you be willing to furnish such information?

Mr. SCHWAB. Quite so; not only willing, but we do do it.

The CHAIRMAN. I thank you. Can you conceive of any reason why the United States Steel Corporation should hesitate to do the same thing?

Mr. SCHWAB. I do not think they have. I do not hesitate to say to you that I have had from the United States Steel Corporation since my retirement from it most of the items that you have named.

The CHAIRMAN. When you were the president of the United States Steel Corporation, did you ever hesitate to give such information?

Mr. SCHWAB. Yes, sir; because that was the old practice of doing things.

The CHAIRMAN. Do you think that is a wise practice?

Mr. SCHWAB. To refuse?

The CHAIRMAN. No; to give the information.

Mr. SCHWAB. I see no reason. Mr. Chairman, to-day in the steel industry there is about only one item of which I know that there is not a free interchange of information, and it is that one item that I want to embrace in the interchange of information, and that is what we call our conversion cost. For example, in the making of a ton of pig iron we all know what the raw material costs, approximately. What I would like would be to get from all the companies in the United States how much it cost to put that material into a ton of pig. The item is not an important one, as we all know within 5 cents or 10 cents what it ought to be, but still it is important information, for by this interchange of information we could adopt the best practice of the best furnaces, and much benefit would result to the industry.

The CHAIRMAN. I hope you will excuse my apparent interruptions of your very interesting narrative. You may proceed.

Mr. SCHWAB. Certainly. There is little else to be said about the talk with Mr. Morgan at that time, and the other gentlemen at that dinner.

The CHAIRMAN. Tell us who sat next to you.

Mr. SCHWAB. Mr. Morgan sat next to me on my right and Mr. Simmons at my left. There were distinguished men of New York present—Mr. Harriman, Mr. Morton, Mr. Carnegie, Mr. Phipps, and a great number—70 or 80. The names are probably available, if you would like to have them. I went home from that dinner to Pittsburg, and thought no more about the matter for some time. One day I had a telephone call from Mr. John Gates, from New York, a long-distance call, who asked me if I would meet Mr. Morgan in Philadelphia the following day. I told him that I would. I went to Philadelphia, and Mr. Gates telephoned that Mr. Morgan was ill, and so I met Mr. Morgan at his house in New York, I think, the day following, or probably the same day. Very shortly, at any rate.

Mr. Morgan then asked me to go over with him again in more detail the substance of what I had talked about at the dinner, and we spent several hours in doing so. There were other gentlemen present at that meeting, and the whole matter was discussed most thoroughly from the point of view that I have spoken of at that interview.

The CHAIRMAN. You were the only speaker at that dinner?

Mr. SCHWAB. I was.

The CHAIRMAN. And you spoke for an hour or so?

Mr. SCHWAB. I would say so; yes, sir.

The CHAIRMAN. And Mr. Morgan requested that you go over with him again in detail fully all the arguments that you had made at the previous dinner?

Mr. SCHWAB. I will not say arguments—statements of fact, statements of opinion, rather; quite so. Then, of course, he asked me

questions about it, and finally said to me, within a day or so, that he was fully convinced about the advantages of such an organization.

The CHAIRMAN. That is, one corporate entity?

Mr. SCHAWB. The Steel Corporation as to-day formed; yes.

He asked me if I could get a price from Mr. Carnegie at which he would sell his works. I had not taken the matter up with Mr. Carnegie at all, had not spoken to him of my visit to Mr. Morgan. In the course of a week or so, spending the day with Mr. Carnegie, a favorable opportunity arrived, and I did tell him what I had said to Mr. Morgan, and advised Mr. Carnegie, at his age and with his desire in life, philanthropic in character, that he ought to sell his plant, and I told him how I thought it might be done. It was with a great deal of reluctance that Mr. Carnegie finally did agree to sell his plant, and I might say to you that it was my opinion that he afterwards regretted very much that he had made a price upon his plant.

The CHAIRMAN. Did Mr. Morgan indicate to you anything about the limit of cost at which those properties could be bought? In other words, were you instructed to get an option at not to exceed $500,000,000, for instance, or to buy them at any price?

Mr. SCHWAB. No; I had no authority to negotiate anything of that kind?

The CHAIRMAN. Was there any concern on the part of the purchasers as to the price?

Mr. SCHWAB. My only advice from Mr. Morgan was to get a price from Mr. Carnegie, at which price he would see if they could afford to purchase the property. I got the price from Mr. Carnegie and took it to Mr. Morgan, and beyond being consulted with reference to general views, values of the properties, probable earnings, and so forth, I had nothing further to do with the organization of the United States Steel Corporation.

I want to take this opportunity to say that pending the negotiations which resulted in the formation of the United States Steel Corporation, and immediately after in a short address given before the bankers of Chicago, and I laid as great stress upon the fact to Mr. Morgan and his people, as well as to all the financial interests in the West, that any so-called consolidation of interests that was based on the false assumption of maintaining prices or increasing prices or restricting the output was bound to fail. I believe that the economies resulting from this method of doing business would return a far better return upon the capital invested than it would individually.

The CHAIRMAN. Morally and industrially wrong, or both?

Mr. SCHWAB. Because I think that the best results are obtained in that business from development of the lines and the plants as outlined.

The CHAIRMAN. Have you a copy of that address?

Mr. SCHWAB. I have a rough copy, but I can not say that it was delivered in full exactly like this. I would like to read a part of it, Mr. Chairman, with your permission. May I?

The CHAIRMAN. I was going to suggest that you kindly leave it with the stenographer, and let it be incorporated in the record.

Mr. SCHWAB. There is just a part which I would like to read, and then I will be glad to submit it.

The CHAIRMAN. Certainly.

Mr. SCHWAB (reading):

No one has a clearer appreciation than myself of the evil that lurked in the trust scheme—I say "lurked" advisedly, because the trust is a dead business proposition, with which we will never again be troubled.

This is a few months after the organization:

It was an experiment and, to that extent, served its purpose. But it was founded on misconceptions and promoted along lines of self-destruction.

Mr. BARTLETT. May I interrupt you?

Mr. SCHWAB. Certainly.

Mr. BARTLETT. You speak about the trusts?

Mr. SCHWAB. Yes, sir. My definition of a trust is an organization of business that will in some artificial manner conduct its affairs.

Mr. BARTLETT. Fix prices or curtail output?

Mr. SCHWAB. Yes, sir.

Mr. BARTLETT. But you did not refer to the previous arrangement which had existed between certain steel manufacturers?

Mr. SCHWAB. No, sir; there were such arrangements.

Mr. BARTLETT. You did not refer to those arrangements?

Mr. SCHWAB. No, sir. [Reading:]

Its fundamental principles were the restriction of trade, increase of price, and the throttling of competition—a trinity that would wreck any proposition, business, political, or social. The consolidation, as organized to-day, has for its guiding line the very opposite of this. Instead of restricting trade it expands trade by creating new avenues and reducing the price of the commodities which it produces. It is enabled to do this because the chief advantage of consolidation is the reduction in the cost of the articles produced. This is self-evident and well illustrated by the consolidation and operation of the United States Steel Corporation which, by reason of its magnitude and prominence, may be taken as a representative consolidation of business. I choose this field because in doing so I can tread familiar paths—

And so forth.

Then I go on and speak of the prediction that I made. I am very proud of that prediction. In 1900 this country produced 10,000,000 tons of steel. In 1890 it was between five and six million tons. In 1880, my first year in steel, we made less than a million tons. I told Mr. Morgan that in my opinion 10 years hence would see 25,000,000 tons produced in the United States, and that was about our production last year.

The CHAIRMAN. I am very much interested in that address. It is worthy of the great ironmaster. Kindly put that all in the record.

Mr. SCHWAB. I will be glad to.

Mr. BARTLETT. Can you fix the date of that address?

Mr. SCHWAB. In December, 1901.

Mr. LINDABURY. It will appear in full in the record?

The CHAIRMAN. Yes, sir.

Mr. SCHWAB. I will read it over again and submit it. The date is December 21, 1901.

(The address referred to by Mr. Schwab is as follows:)

Mr. Charles M. Schwab spoke extemporaneously before the Bankers' Club of the city of Chicago at their seventy-eighth regular meeting to-night, his subject being "The natural growth of business enterprises; the consolidation thereof; their attitude generally toward the public, labor, and finance."

The following is the substance of his remarks:

Consolidations in business, like consolidations in nature, are inevitable. The most magnificent example of what may be achieved by combination is the

Government of the United States. There we have the ideal system—the States, self-acting, integral parts, each with its local pride and ambition, and all merged under one controlling head, the President, with Congress as the board of directors.

I noticed in reading this morning's Chicago papers that the Presbyterian colleges hereabouts are taking steps with a view of consolidating, and wisely, too. I am sure that such consolidation will not be for the purpose of raising the cost of tuition to the students, but, rather, of bettering the educational facilities and, if anything, reducing the cost to the students. This is the true basis of consolidation.

In business, consolidation has marched as steadily as in nature, society, and politics. At the beginning every manufacturer worked for his own account in his own hut, or under the shade of the nearest tree. Every trader was an institution unto himself. As intelligence advanced, and the needs of society grew, came the combination, the partnership. Next followed the corporations, some in manufacture, others in trade and commerce.

This condition is the natural one—the proper one. To stop the process is impossible. It will march steadily onward. It would be as easy to dam the Mississippi or to sweep back the tides as to check it. Those who oppose it, while they may not be swept under by the current, will remain stationary. There are many such, too many. We see them on every hand, corporations, and firms, and individuals who are against "consolidations" because—well, because they are against them. They lack the eye of progress.

Before a company of bankers it is, of course, unnecessary to defend the principle of consolidation. Men in your business are of necessity too well grounded in industrial science to be affected by the timorous advocates of old-line methods or the silly outcry against consolidations as "trusts." You know better than any other class in the community, for the fact is brought home to you every day in your business, that the consolidation of to-day is a vastly different thing from the "trust" of yesterday.

No one has a clearer appreciation than myself of the evil that lurked in the trust scheme. I say "lurked" advisedly, because the trust is a dead business proposition with which we will never again be troubled. It was an experiment, and to that extent served its purpose. But it was founded on misconceptions and promoted along lines of self-destruction. Its fundamental principles were the restriction of trade, the increase of price, and the throttling of competition—a trinity that would wreck any proposition, business, political, or social. The consolidation, as organized to-day, has for its guiding line the very opposite of this. Instead of restricting trade it expands trade, by creating new avenues and reducing the price of the commodities which it produces. It is enabled to do this because the chief advantage of consolidation is the reduction in the cost of the articles produced. This is self-evident, and well illustrated by the consolidation and operation of the United States Steel Corporation, which, by reason of its magnitude and prominence, may be taken as a representative consolidation of business. I choose this field because in doing so I can tread familiar paths, and steel is king to-day in America, and that means in the world. King Cotton has been dethroned. In 1900 the production of steel was greater by one hundred millions than the production of cotton. This year it will probably be $100,000,000 greater. Therefore, it is not improper to let steel represent the general industrial condition under the new system.

As showing the advantages of consolidating interests like steel, permit me to go into some detail.

Starting from the ore fields. Individual concerns owned individual mines; no concern was sufficiently large to own groups of mines of different characteristics and qualities. All metallurgical people know that the best results are obtained by scientific mixtures of different sorts of ores, and by consolidating the ore interests of all these companies we were able to give each individual company the ideal mixtures in order to produce the most economical and best results. To one familiar with the steel and iron making industries the advantages of so doing are enormous. The transportation of materials affords equal opportunities to economize. Ships do not need to wait until each particular cargo can be loaded for each particular works, but can be kept moving steadily, and assigned to various works while in transit. Mills that formerly had to make a great variety of articles by reason of consolidation are enabled to run steadily on line, producing far greater tonnage and at very much less cost. Sales throughout the various countries can be consolidated and handled to much better advantage, as you must all realize, and so I might cite innumerable

examples, all going to show that the real advantage of consolidation is to decrease the cost of production. Consolidation of interests founded on any other basis is false and will not last.

This information, however, is probably nothing new to you, and it is hardly possible to tell you anything along general lines as to the wisdom of consolidation that you have not already heard in one form or another.

My experience in talking with people concerning the United States Steel Corporation would seem to indicate that there are only two points with which the public believe they are thoroughly familiar. The first of these is its capital, and the second the salary of its president. Of the first I do not hesitate to speak. On the second I am somewhat like the Jew who, when asked what he would do for $10,000, replied that he was ashamed to tell.

It is just possible that I may be able to tell you some things concerning this corporation which you have not known before, and speaking of the first point, namely, its capitalization, I wish to say that the question of capitalization of any such industrial depends largely upon the value at which you place its raw materials. The steel industry to date has drawn its ores chiefly from what is known as the Lake Superior district in the Northwest. In fact, I believe I may safely say that from 80 to 90 per cent of all the steel produced in the United States is made from ores in this district. It is the standard ore and one steady source of supply, and, as far as engineers can estimate, there are between 600,000,000 and 700,000,000 tons of ore now known in the Lake region Geologists tell us that the possibility of future discoveries or new ranges is rather remote. The constituent companies of the United States Steel Corporation own, as nearly as we can estimate, from 75 to 80 per cent of all the known northwestern ores, the value of which is very high. If you consider that this ore is to-day being consumed at the rate of 20,000,000 tons per year, with a large increase in consumption each year, which I believe will grow greater day by day, I think you will commence to appreciate the value of this ore in years to come.

I remember when first going into the steel business—in 1879—the total production of steel in the United States was less than 1,000,000 tons; in 1895 the production had increased to 6,000,000 tons, and, as nearly as I can estimate, the production of steel in the United States this year will be 14,000,000 tons, and I believe that 10 years hence 20,000,000 tons per annum will be the minimum production of steel for this country. If you will figure that 20,000,000 tons of steel requires in round numbers 40,000,000 tons of ore, I think you will also appreciate the value of the ores which the constituent companies of the United States Steel Corporation possess. If I could be assured of 30 years more of life and had the money to carry it, I know of no investment that would pay so well as the husbanding and saving of the iron ores in the Northwest. And the same principle applies to raw materials others than ore.

Having briefly described the fundamental basis on which I believe consolidation should be formed, and having given you some statistics with reference to the United States Steel Corporation, I now take up the relation of combinations to the public.

I am heartily in sympathy with President Roosevelt when he says that all the great combinations should be given publicity. When the stock in a large corporation is held by the public, as in the case of the United States Steel Corporation, for example, which has some 50,000,000 stockholders, I believe every stockholder has the right to know something of the financial standing of the company and the management of its affairs, and that it will only be companies that are formed on erroneous principle of capitalization that will object to such publicity. Its relation to the general public, however, is, in my opinion, of great importance also, because of its position in the market, regulating, as it does, the industries over which it plays such an important part. This is well illustrated at the present time. You doubtless know, a great many of you, of the great demand for steel to-day. All lines are crowded, and people would willingly pay most any price for deliveries for current needs. Under such circumstances the individual operators would have advanced prices considerably, but the United States Steel Corporation, under its conservative policy, has maintained prices regularly ever since its formation. And I beg to call your attention to the fact that, although the steel business was never so prosperous so far as volume is concerned, prices of to-day are from 30 to 70 per cent lower than they were a year and a half ago, prior to the organization of the United States Steel Corporation.

This maintaining of regularity in price will establish a steadiness in all lines of business over which steel has any influence. People will build railroads, as well as bridges and buildings, in anticipation of their wants, knowing that there is not much chance of their speculating in the market on the prices of their materials. Railroads have adopted this wise, conservative policy, and it has resulted in good and prosperity to the country.

I am a great believer in the future of manufacturing industries of the United States. I believe that they are to grow at a rate not dreamed of by the present generation, and this is being abundantly demonstrated in every direction. New industries in which steel is largely used are springing up every day. The steel-car industry is worthy of mention. Five years ago very little steel was used for this purpose; to-day it requires more than 2,000 tons of furnished steel per day.

In the shipbuilding industry in the year 1898, 62,000 tons of iron and steel was used; in the year 1899 it grew to 131,000 tons, and in 1900 to 196,000 tons, and this year it will reach about 300,000 tons, showing an increase of 400 per cent in the consumption of iron and steel in the shipbuilding industry within four years. These figures take no cognizance of the building of war vessels. If we include ships in the United States Navy, the total is enormously increased. On the first of this year the Government had under construction ships of various classes, the contracts for which amounted in all to $81,000,000, in round numbers. It is a conservative estimate to say that 30 per cent of this sum is represented by steel used in the construction. The list of industries in which steel is being substituted for other materials could be drawn out almost indefinitely; and abroad the American steel in forging ahead.

Touching on the relations between labor and combinations, I beg to state that the greatest advantage to the welfare of this country has resulted. Wages have steadily advanced since consolidation started. This curious thought occurred to me this evening. Many people think that the bonds of the United States Steel Corporation are a first mortgage upon its great properties. If you will stop to think, you will find that the first great mortgage is that which is owed to labor. The United States Steel Corporation pays to labor approximately $150,000,000 per year. This is equivalent to a mortgage debt of $3,000,000,000 upon the property, which must be paid in advance of the first mortgage bonds. Then again, a great consolidation of capital must assume a vastly different attitude toward labor than that of individual operators. The consolidations are largely owned by the public, and the public must be satisfied that its labor is fairly treated. Much of their stock is held by their own labor, and labor must feel that it is being fairly treated, and great consolidations of capital can not take an arrogant or arbitrary stand in reducing pay of its workmen. The public and stockholders must be satisfied that there is a real necessity for such reduction.

Never before has labor in the industries with which I am familiar received such high pay. I have just received a report of the average earnings of the employees of one of our largest establishments, and it shows an average per day, taking in every man and boy—and there are many unskilled men at low rates per day—of $4. This refers only to the wage earner and does not include the salaried men.

The number of men employed in the steel industry is going to increase enormously. Steel is king, but he is still only an infant king, having by no means arrived at the threshold of his career, as proved by the statistics already given you.

In connection with labor I want to repeat what I said before the labor commission in New York the other day, that labor, I sincerely trust, will not make the same mistake with reference to creating monopolies as capital has in some instances in the past. Labor can not, through their unions, restrict output without meeting failure in the end any more than capital can consolidate and combine successfully if they have in view a monopoly or restriction of the trade in which it is invested.

Coming to the last branch—the relation to finance. It is my belief that the entire financial question, as to the responsibility of individual manufacturers, has been almost wholly removed by the great consolidation of capital, through which bankers have largely to deal. With a full and public exposé of its affairs, the question of credit is much simplified, and the same advantages that accrue from the regularity of the trade can be helped with reference to the regularity of the money supply and demand.

The CHAIRMAN. You may proceed, Mr. Schwab.

Mr. SCHWAB. I think I have told you all, unless there is something else that you would like to have more information on.

The CHAIRMAN. You speak, Mr. Schwab, of the trust being a moral wrong.

Mr. SCHWAB. No; I did not say that.

The CHAIRMAN. Being industrially wrong?

Mr. SCHWAB. Yes, sir; economically wrong.

The CHAIRMAN. Did you oppose the idea of restricting competition?

Mr. SCHWAB. No; I want to——

The CHAIRMAN (interposing). You speak of restriction. You speak of the idea of weapons of the trust, such as the arbitrary restriction of production, the definite division of territory among hitherto competing firms, and the fixing of prices. Those are the three weapons by which formerly competing concerns arranged to secure an additional profit and an equitable, or at least a pro rata, distribution of the profits among themselves?

Mr. SCHWAB. I would like to answer your question by saying that in that period there was much discussion as to the formation of certain trusts or trust, if you will use the term, and the fundamental idea in most people's minds was that the successful corporation was that corporation which could most equitably control all of the output of their industry, and they were formed with that point in view, and people who generally thought of the greater consolidations thought that their chief advantage was to come from that direction. My idea was the opposite. My idea was that the chief advantages were to come from the economies of operation. Do I make that clear?

The CHAIRMAN. Not only clear, but rather convincing, Mr. Schwab.

Mr. SCHWAB. I thank you.

The CHAIRMAN. Now, to return to my question, if I understand. I know very little about how this thing is done, but as I understand, a combination of hitherto competing plants endeavor to fix the price above the amount at which it would be placed by the operation of the natural laws of supply and demand, and, having arbitrarily raised the price, the division of territory, and the restriction of output, the restriction of output enabling them to hold the price there and the division of territory, or an agreement as to percentages, enabling them to divide this swag or profit among themselves. Is that correct?

Mr. SCHWAB. You do not make yourself quit clear enough for me to give you a definite answer, but if you will refer to these so-called trade agreements, or gentlemen's agreements, existing between many manufacturing concerns at that time, I only desire to say that they were temporary agreements, that were frequently interrupted and broken and had not any connection with what I call a trust.

The CHAIRMAN. I am not speaking of this as to any particular concern——

Mr. SCHWAB. I understand.

The CHAIRMAN [continuing]. The United States Steel Corporation or any other, but I am speaking now—you used the word "trust" in your very admirable address in its generic and general term.

Mr. SCHWAB. Exactly, Mr. Chairman.

The CHAIRMAN. And I am trying to lay it here on this table and get you to help me to dissect it, to show me where its claws are, where its maul was, and how it operated, what it got, what it ate, how it assimilated—I am trying to get you to help me dissect this animal.

Mr. SCHWAB. Very good.

The CHAIRMAN. Now, as I understand, the way the thing was done, the first thing to be done was to have a conference between the hitherto competing parties. Then there was an agreement made as to prices, what beams or sand or anything else should sell for, dependent on the concern. After the price was agreed upon, there was an understanding about output in order that the overproduction and the stock on hand of one or the other or many of the concerns should become so oppressive upon the man who held the finished product which under the contract he was to carry, that he would either lose money by holding it or break the contract by disposing of it, and for that reason there was an agreement always between these people as to the output, was there not?

Mr. SCHWAB. No; Mr. Chairman, my thought of the word "trust," as expressed in what I have said, is a very different thing from that which you have described. My idea of the word "trust" as applied in what I said is this: If there were 100 manufacturers in the United States with a given commodity and 95 of those concerns consolidated into one company, with a view to restricting their output, a definite consolidation, from which they were inseparable and became a part of the whole, and if they made 95 per cent or 100 per cent of the output and raised the price and restricted the output to keep the price there, that is a trust.

That is my idea of a trust, and that is what I have been talking about when I have used the word trust. The matter which you talk about is what we called in those days "Gentlemen's agreement." They are two very different things.

The CHAIRMAN. Did these gentlemen's agreements include the fixing of prices?

Mr. SCHWAB. Yes; but, pardon me, Mr. Chairman, a gentlemen's agreement was never made, at least not within my knowledge, for any definite period of time.

Mr. BARTLETT. They were made to be broken on notice?

Mr. SCHWAB. Well, they were usually broken when some one felt like doing it.

Mr. BARTLETT. And notice given?

Mr. SCHWAB. Not always; no. I think, as a rule the opposite was the case.

The CHAIRMAN. Mr. Schwab, you were president of the Carnegie Co.?

Mr. SCHWAB. Yes.

The CHAIRMAN. At the time of the formation of the Plate Association, were you not. That was in December, 1900?

Mr. SCHWAB. I think I was; yes.

The CHAIRMAN. Under that agreement—I am using this as illustration now and not to quiz you——

Mr. SCHWAB. I understand that.

The CHAIRMAN. Or to ask you any unpleasant questions about it, because that agreement is already in evidence, the entire contracts,

and the men who had them printed have admitted them, and the parties to them have all admitted them, and we have checks and vouchers and so on.

Mr. SCHWAB. Oh, yes; I understand that.

The CHAIRMAN. I am using this plate contract as an illustration. Under that plate contract—and it is these contracts like the Plate Association's contract, the Rail Association's contract, the Structural Steel Association's contract, and the other contracts similar in character, the Steel Wire people's contract—that have given me this vivid idea of the internal workings of a trust.

Mr. SCHWAB. Yes.

The CHAIRMAN. In that agreement was it not provided that they should sell for a fixed price, according to a schedule which was usually marked "Schedule B" and attached to the contract as a part thereof?

Mr. SCHWAB. Well, I do not recall any contracts of that sort. It may have been a matter of record; I do not know. If so, it will speak for itself.

The CHAIRMAN. Well, that is a fact. Now, were there not definite percentages in that contract?

Mr. SCHWAB. Now, you say "a contract." I can not say there was a contract. These matters were usually matters of agreement at a meeting. I can not say there was ever a contract made to that effect.

The CHAIRMAN. Under this contract the Carnegie Co. got 46 per cent of the plates?

Mr. SCHWAB. I do not remember the figures. The contract will speak for itself.

The CHAIRMAN. It was a large amount?

Mr. SCHWAB. Yes.

The CHAIRMAN. Was not that contract prepared originally by the attorneys for the Carnegie Co.?

Mr. SCHWAB. I can not say that. My idea of a contract is that it is something you can enforce and collect your damages if the other men do not carry it out. None of these agreements contemplated that.

The CHAIRMAN. Oh, I beg your pardon.

Mr. SCHWAB. This one contract did provide for a small deposit of money.

The CHAIRMAN. $100,000.

Mr. SCHWAB. That is nothing in the steel business, considering the amount of business we do. I mean, if I wanted to take a very large order for the Carnegie Co., I should not let $100,000 stand in the way.

The CHAIRMAN. This contract also provided where a man took more than his proportion he paid thirty-five one hundredths of a cent on each pound.

Mr. SCHWAB. Mr. Chairman, I just want to be clear with you about whether this is a contract or not.

The CHAIRMAN. It was marked "Agreement A."

Mr. SCHWAB. Yes; it is an agreement. There is a very great difference between an agreement and a contract.

Mr. BARTLETT. Do you think a contract is not a contract unless it is enforcible in law?

Mr. SCHWAB. That is my idea of it.

The CHAIRMAN. It was not enforcible under any civilized law on earth. I agree with you in that.

Mr. SCHWAB. I do not know whether it was a contract or not, and therefore I do not want to seem to assent to the fact that it was a contract.

The CHAIRMAN. In drawing that distinction I clearly agree with you. It had none of those qualities which in those times could be enforced in a court of justice or which gave it any validity after it came into the light. It was a powerful, distinct, skillfully drawn, iron-bound understanding or agreement; but the only thing that could enforce it was the forfeit or the sense of obligation on the part of the man making it.

The SCHWAB. Quite so.

The CHAIRMAN. It could never have gotten into a courthouse. It would not have stood five minutes in a court of equity.

Mr. SCHWAB. No.

The CHAIRMAN. Now, these agreements all provided, did they not, for a forfeit to be placed, for a price to be fixed, for a territory to be divided, and for a percentage to be fixed among the various parties to the agreement?

Mr. SCHWAB. Aside from the agreement noted my best recollection of them all is, in answer to your first question, that they did not provide for a forfeit, that they did not provide for a division of the territory; but that they did provide for a division of the territory; but that they did provide for the maintenance of the price and the regulation of the percentage of business taken.

Mr. LINDABURY. Mr. Chairman, I think your recollection is at fault. I think the agreement referred to did not provide for a division of territory.

The CHAIRMAN. Yes; you are correct, Mr. Lindabury, and I am wrong. They arranged for the percentage of business instead of territory.

Mr. SCHWABY Quite so.

The CHAIRMAN. Those were the things about which you spoke as being a trust. Those were the evils against which you inveighed at this dinner?

Mr. SCHWAB. Not at all, sir. That is not the sort of thing against which I inveighed.

The CHAIRMAN. Is it not true, Mr. Schwab, that immediately after the formation of the United States Steel Corporation every rail that was manufactured in the United States by these large concerns, whether by your company or the Lackawanna or the Cambria or the Pennsylvania Steel Co., or any other like concern, was made under a gentlemen's agreement like that?

Mr. SCHWAB. I think you are mistaken, Mr. Chairman. I do not recall when any agreement with reference to rails was discontinued, but my best recollection is that it was before the formation of the United States Steel Corporation. That is my best recollection.

The CHAIRMAN. There was such an arrangement, but your recollection is it was discontinued before the formation of the United States Steel Corporation?

Mr. SCHWAB. That is my recollection.

The CHAIRMAN. Is it not true, Mr. Schwab, that they operated under that understanding, whether the agreement was written or oral, for many years thereafter?

Mr. SCHWAB. Not that I know of. It is not my recollection they did.

The CHAIRMAN. Is it not true, Mr. Schwab, that wire and wire rope made by your concern, copper wire, underground cable, fencing wire, and every other character of wire was in an agreement of that kind?

Mr. SCHWAB. I have no recollection of that.

The CHAIRMAN. To refresh your recollection, because I know if you had any recollection of that you would give it to us——

Mr. SCHWAB. Yes; I would tell you.

The CHAIRMAN. I will ask you if that did not continue until very recently, and if the man who was at the head of it, Mr. Jackson, did not try to get other concerns to go into a like agreement with reference to other commodities?

Mr. SCHWAB. The only recollection which you recall to my mind—I remember I had a call from Mr. Jackson at one time relative to the matter, and took no interest whatever in it, and told Mr. Jackson I would take no interest whatever in the matter; and it is my best recollection—indeed, I can say truthfully that I never heard, to the best of my knowledge, of these agreements of which you speak.

The CHAIRMAN. Mr. Schwab, I did not ask you the question in order to contradict you in any way, but what I am speaking about now is with reference to my first question, to see if it is not true that at the time even when Mr. Jackson was talking to you and from the date of the formation of the United States Steel Corporation up to that time, these various commodities had sold under that sort of an agreement.

Mr. SCHWAB. To the best of my recollection they were not. Now, they may have been, but I do not think they were.

The CHAIRMAN. Were horseshoes sold under that sort of an agreement?

Mr. SCHWAB. If they were, I never heard of it. If there were arrangements of that sort, they may have been made by the manager of some subsidiary companies without our knowledge, but I can say I did not know it. I do not remember knowing it, at any rate.

The CHAIRMAN. The steel-plate agreement continued from when to when, do you remember?

Mr. SCHWAB. I do not know, but you have some records of that which will show better than my recollection.

The CHAIRMAN. Were not the plate agreements, roughly speaking, and the wire agreement, and the structural-steel agreement, as to beams and channels and things of that sort, all made about the same time and continued for about the same time?

Mr. SCHWAB. My dear fellow, I went into this business in 1880, and for the next 20 years I heard of agreements of this sort every few months in some direction. Most of them were never consummated, many of them lasted a day, some of them lasted until the gentlemen could go to a telephone from the room in which they were made, and some of them lasted a longer period. I could not be definite about any of them.

The CHAIRMAN. That was one of the things which made our friend, Mr. Andrew Carnegie, persona non grata with the older steel concerns, was it not—that he would sell and keep his mills running?

Mr. SCHWAB. That is true; and I want to say that the policy of the Carnegie Co. for many years was to have nothing to do with any agreements of that sort, but the conditions were somewhat different. We had a position to win in the steel trade then. There were older companies than the Carnegie Co., and longer established, like the Pennsylvania Steel, Federal Steel, Lackawanna Steel, Cambria Steel, Jones & Laughlin. Those were all older concerns. The policy of the Carnegie Co. was to demonstrate its position and to win a position for itself. And it is my belief, if Mr. Carnegie were in business now with his plant established, and his position established, and with the possibility that there is not likely to be any more great steel plants, any more than there is likely to be any other great trunk-line railroad, that there will be development and extension of the present businesses, it is my opinion his policy would have been somewhat different, and that he would not have made the great sacrifices in prices he then made.

The CHAIRMAN. The other old companies—Jones & Laughlin, Lackawanna, Cambria, and the rest of them—had been in business for years and years, had they not?

Mr. SCHWAB. Yes.

The CHAIRMAN. And it was a safe, profitable business?

Mr. SCHWAB. I will not say that. I think it is a very risky business.

The CHAIRMAN. But these other concerns had managed to escape and accumulate some money?

Mr. SCHWAB. They escaped, but many did not.

The CHAIRMAN. And they would hitch up and jog along in an easy way, and Carnegie, with his talent and with the splendid personnel of his able lieutenants, among whom is the present president of the Bethlehem Steel Co.——

Mr. SCHWAB. Thank you.

The CHAIRMAN. Carnegie would improve methods, discover new ways of cheapening and facilitating the manufacture of steel by exhausing the ingenuity of the alchemist, and the chemist, and of the civil engineer, and by firing the ambition of young, aspiring men who came into the business and who were given a share in it—and Carnegie dealt rather in men than in money when he wanted to increase his capitalization, did he not?

Mr. SCHWAB. Yes.

The CHAIRMAN. He took these strong, able men into the concern in preference to a man with any amount of money who wanted to buy shares; isn't that true?

Mr. SCHWAB. Absolutely.

The CHAIRMAN. And it was this strictly American, audacious, capable, aspiring set of men in the steel industry, who were like a bull in a china shop, and who kept the steel business, as you say, in an uncertain state, and enabled Carnegie to smash agreements to keep up the sharpest kind of competition and to develop the steel industry to the highest state of perfection known in the known world at the time he retired from business; is not that true?

Mr. SCHWAB. Mr. Chairman, that is true. But I want to point out to you one radical difference as between that time and the present. I will illustrate it best by speaking of rails. At the time Mr. Carnegie went into the steel business it was costing about $60 to make a ton of rails, probably more. To-day, let us say, it costs $21 or $22 a ton. In those days there was a very great opportunity for the alchemist and the chemist and the civil engineer which does not exist to-day. The most skillful set of men money could buy could not cheapen the production of a ton of rails a dollar a ton to-day, with unlimited capital for its development. Now, that is the difference between Mr. Carnegie's policy in those days and the policy that, to my mind, ought to be adopted to-day. The day has gone by when those developments, which were so noteworthy and radical, can be made. There is little difference in the cost of manufacture as between different works to-day. Do I make that clear, Mr. Chairman?

The CHAIRMAN. Yes. You mean the industry has reached a state of such perfection——

Mr. SCHWAB (interposing). Yes; that it is not possible. It would not be possible for Mr. Carnegie to-day, for example, to adopt successfully the methods of 20 years ago.

The CHAIRMAN. I would not discuss so scientific a question with so able a scientist.

Mr. SCHWAB. I thank you. You pay so many compliments I am inclined to be confidential.

The CHAIRMAN. If there is anything on earth I am seriously desirous of doing, it is to get the confidence of the witness.

Mr. SCHWAB. You have it.

The CHAIRMAN. Because there is a great deal you know that I want to find out.

Mr. SCHWAB. Yes.

The CHAIRMAN. Now, Mr. Schwab, is it not true that you are now experimenting with the conversion of steel by electrical methods?

Mr. SCHWAB. That is quite true.

The CHAIRMAN. Will that cheapen the methods?

Mr. SCHWAB. It will not.

The CHAIRMAN. There has been some talk here about certain ores having a percentage of a certain chemical which makes them unprofitable.

Mr. SCHWAB. Yes.

The CHAIRMAN. Do you think it is possible to make those ores available?

Mr. SCHWAB. In my opinion, it is not.

The CHAIRMAN. The present available ores as chemically constituted are the only available ores?

Mr. SCHWAB. I think almost any iron ore can be successfully smelted to-day with modern methods.

The CHAIRMAN. And those that can not will not be in the near future?

Mr. SCHWAB. They never will be, probably; but I do not know of any that can not be.

The CHAIRMAN. There has been a great deal of evidence before us about certain ores which contain various objectionable chemicals.

Mr. SCHWAB. Titanics?

The CHAIRMAN. Yes. I understand that makes the ores commercially unavailable until the discovery of some means of eliminating it.

Mr. SCHWAB. My answer is I know of no ores that are not sufficiently rich so they can not be used by modern methods.

The CHAIRMAN. Now, Mr. Schwab, you say that these concerns we have with us, like the United States Steel Corporation, the Cambria, and the Pennsylvania and the rest of them, will abide with us, but there will be no new concerns in the field?

Mr. SCHWAB. I do not believe there will be any great development in iron and steel by new companies, but rather development by the companies now in the business.

The CHAIRMAN. Now, explain that to us.

Mr. SCHWAB. For the reason that the possibility of a new company getting a sufficiently large supply of raw materials would make it exceedingly difficult, if not impossible.

The CHAIRMAN. In other words, a great concern like the Lackawanna or the Cambria or the United States Steel Corporation must own vast ore reserves in order to justify the expenditure of an enormous amount of capital?

Mr. SCHWAB. Quite so.

The CHAIRMAN. And those ores which are now on this continent are owned or leased by the existing operating companies?

Mr. SCHWAB. Not all, but the great part of them.

The CHAIRMAN. There is not a sufficient quantity outstanding to justify anyone else going in the business?

Mr. SCHWAB. I do not think it is possible to-day, with the known ores, for anyone to get a sufficiently large reserve to justify the very great expenditure of capital necessary to successfully manufacture. But, Mr. Chairman, I would like to qualify that by saying there are large well-known deposits, for example, on the west coast of Mexico, that may be made available by the Panama Canal and cheaper transportation later on. I do not want to make that statement absolute, but I say the chances are against such development.

The CHAIRMAN. Now, Mr. Schwab, suppose in the next 10 years the star of empires should move directly South, and the cheapness with which cotton can be manufactured by a mill located in the center of the cotton plantations will induce the cotton manufacturers to import their labor into the South rather than to import their materials into the North, and the other industries of the South, timber, coal reserves, become very important, and the State of Alabama and the State of Mississippi become as thickly populated as the State of Pennsylvania and as rich as the State of New York, could you go, say, to Alabama and open up a concern like the Bethlehem concern?

Mr. SCHWAB. It is entirely a question of consumption and transportation.

The CHAIRMAN. No; that is not what I am speaking about. I am stating a hypothetical question. Suppose the South should become completely covered with railroads and crowded with population, and was swollen with wealth, could you go to Alabama to-day and operate a concern, with a profit, as extensive as the Lackawanna or the Carnegie Steel Co.?

Mr. SCHWAB. Assuming that the market is there for the products, you have the ores, the coke, and the limestone, and it could be successfully conducted.

The CHAIRMAN. But could you get the ores?

Mr. SCHWAB. Oh, yes; you could.

The CHAIRMAN. Where could you get them?

Mr. SCHWAB. In Alabama?

The CHAIRMAN. Yes.

Mr. SCHWAB. Well, I do not know sufficiently about the development of ore in Alabama to say they could, but I thought you referred to the present natural resources.

The CHAIRMAN. No; I am speaking of a hypothetical case and assuming there were 100,000,000 people between the Ohio River and the Gulf of Mexico.

Mr. SCHWAB. So far as I know, the chief deposits of ore in the South are owned by half a dozen companies in the South.

The CHAIRMAN. And it would be impossible for any company to operate now unless they could get some of that ore.

Mr. SCHWAB. They could not operate in an extensive way or in a big way, which I think is necessary for the highest state of efficiency.

The CHAIRMAN. When did that state of affairs accrue?

Mr. SCHWAB. The moment that the steel industry of this country expanded from 1,000,000 to 25,000,000 tons annually the materials that went to make that steel increased proportionately in value and were sought by investors.

The CHAIRMAN. You do not understand me, Mr. Schwab.

Mr. SCHWAB. Probably not.

The CHAIRMAN. When did this state of affairs first occur when if you had the transportation and had the capital and had the market and had the supply, it would not have helped you to have gone to Birmingham, say, and opened a great plant.

Mr. SCHWAB. I can not say. It would be impossible for me to say.

The CHAIRMAN. Did it not become impossible the day your supply of available ores was taken up by other steel companies?

Mr. SCHWAB. Yes; but I could not fix that date.

The CHAIRMAN. Was it on the 4th of November, 1907, or not?

Mr. SCHWAB. No; I do not think so at all. There are ores owned by many people in the South to-day.

The CHAIRMAN. The engineers from that country tell us that in that region running 100 miles north and south and 150 miles east and west through the city of Birmingham there is about 2½ per cent of the ores in scattered pockets, 100 acres here and 10 acres there, and so on, which is available. If that situation exists, and you could not buy ore from your competitors, could you go there and establish a new concern?

Mr. SCHWAB. Certainly not.

The CHAIRMAN. Do your people sell ore?

Mr. SCHWAB. No; we do not. But, Mr. Chairman, may I interject a remark here? You want information?

The CHAIRMAN. I am very anxious to receive information.

Mr. SCHWAB. This is something I think it well for you to know. You spoke of great companies buying unlimited supplies of ore and that they needed all they can get. Speaking for my company and

for the Pennsylvania Steel Co., there was in recent years discovered in Cuba very large deposits of ore. These two companies, valuing the future of this ore very highly, own a sufficient supply of ore there to run us 250 years. So that we do not need to feel that the industry of this country is going to be solely in the hands of a few people who own great bodies of ore.

The CHAIRMAN. Could you go to Birmingham and do a profitable business there importing Cuban ores against the ores at the door of these mines?

Mr. SCHWAB. I am not sure but what you could. I do not know.

Mr. LITTLETON. Mr. Schwab, you said, in the outset of your statement, that the object of your address to this association or some body of financial and business men, and the idea which your address expressed was to obtain by consolidation, using the word which is least offensive——

Mr. SCHWAB. Yes.

Mr. LITTLETON. To obtain eminence of steel, the world over, by that particular consolidation.

Mr. SCHWAB. I did; that we would be able to economize and better compete with any other manufacturers in the world.

Mr. LITTLETON. You first used the word "control" and afterwards, for the sake of accuracy, you corrected it. You did not mean control in the sense in which you have now described the ancient, archaic trust.

Mr. SCHWAB. Control by reason of our ability to manufacture better than anybody else.

Mr. LITTLETON. Was it your idea that where two concerns were producing the same thing and were operating in a destructive fashion against each other that one of those concerns would be taken and the expenses of running the other would be eliminated, and by that elimination the production would be cheaper and the general operation more economical?

Mr. SCHWAB. Quite so. That is well illustrated, Mr. Littleton, in the illustration I cited. If the Carnegie Steel Co. shipped its rails or its steel to Chicago, it paid $2.50 a ton on a certain amount. If the Illinois Steel Co. shipped their rails and steel to Pittsburg and to the East, they paid $2.50 a ton. Now, if the mill at Pittsburg made all the steel coming to the East and the mill at Chicago made all the steel going to the West, the result in profit would be $2.50 a ton.

Mr. LITTLETON. In other words, you thought there was a useless duplication going on all over the country, as well as destructive competition.

Mr. SCHWAB. Yes; and therefore not true economy.

Mr. LITTLETON. Is it your idea, Mr. Schwab, that ultimately, or even now, cooperation in a very great measure has got to take the place of competition?

Mr. SCHWAB. I do think so, undoubtedly.

Mr. LITTLETON. You have no doubt seen Judge Gary's testimony before this committee or, at all events, you have read the newspaper comments on it.

Mr. SCHWAB. I have.

Mr. LITTLETON. During his appearance before the committee I asked him some questions along the line which I now wish to ask

you, as a man experienced in this business. Is it your idea that competition between a number of companies, say 11, and I will take that for an arbitrary number, producing in some instances the same thing, and acting independently of each other, without any trade arrangements, that that kind of competition where price cutting is going on, is characterized properly as destructive competition?

Mr. SCHWAB. I think it is.

Mr. LITTLETON. You mean distinctly destructive to the welfare of the steel industry?

Mr. SCHWAB. I do.

Mr. LITTLETON. And in talking about that, I take it, you are all the time dwelling upon what you regard as the proper development of the steel industry of this country?

Mr. SCHWAB. Absolutely.

Mr. LITTLETON. If you were to take the 11 companies, eliminate the duplication, and get rid of the destructive competition, and effectuate the economies of which you speak, of course you would be enabled, if you chose to do so, to make the price of your product cheaper to the consumer, would you not?

Mr. SCHWAB. We would.

Mr. LITTLETON. That would be natural?

Mr. SCHWAB. You could do so.

Mr. LITTLETON. I mean to say it is in your power to do so.

Mr. SCHWAB. Quite so.

Mr. LITTLETON. Is there any way for you, under such a state of affairs, to avoid limiting the output?

Mr. SCHWAB. There is a very curious question of economics there, Mr. Littleton, and it is this: Every manufacturing concern and every mill is going to get its legitimate share of the business, by reason of its location, no matter what the price may be. For example, the Bethlehem Steel Co., located on the Reading, the Lehigh Valley, and the other roads in that immediate district, is going to get its legitimate share of the business, no matter what the price may be, because of its location, because of its freights, and so forth. Therefore the proper proportion of business to each concern, within narrow limits, is going to go to that concern because of its location; and therefore destructive competition is destructive of good business policy.

Mr. LITTLETON. If by preventing duplication and destructive competition, as by the illustration you have given, and by effectuating economies, you are enabled to produce cheaper, in the very nature of things you would not want to have destructive overproduction, would you?

Mr. SCHWAB. Certainly not.

Mr. LITTLETON. That would be quite as bad as the other thing that you had gotten rid of?

Mr. SCHWAB. Quite so.

Mr. LITTLETON. Beyond a certain point, this strategic location of the mill—beyond that point, this control of economies of which you speak is bound, in the end, to control the very output, is it not?

Mr. SCHWAB. If I understand you correctly, yes.

Mr. LITTLETON. In other words, there is a point where you are bound to control the output?

Mr. SCHWAB. I think I understand you correctly, Mr. Littleton.

Mr. LITTLETON. If you do not, it is because I did not understand what you meant by saying: "Take the Bethlehem Steel Co. as an illustration," and so forth.

Mr. SCHWAB. Yes.

Mr. LITTLETON. Beyond that point, taking the 11 concerns, for illustration, could they each run?

Mr. SCHWAB. Independently?

Mr. LITTLETON. No; could they run along and produce all they could produce?

Mr. SCHWAB. They could not sell it at times.

Mr. LITTLETON. That is right.

Mr. SCHWAB. Quite so.

Mr. LITTLETON. So there is that limitation on the output, always?

Mr. SCHWAB. Quite so; with the market always affecting the limitation—the demand.

Mr. LITTLETON. With such control as you speak of, could you avoid—in a very large sense—establishing the prices with such control?

Mr. SCHWAB. The prices of iron and steel have naturally been established. I mean not necessarily by any agreement or by anything or that sort, but, if you will let be illustrate it, for example, by rails, which are the best known steel product, I do not think the price of rails has been changed for 12 or 15 years. It has been regarded by most manufacturers as a fair price. It is regarded by some as being too low; but as a general rule it is an established price for rails. No one ever thinks of questioning that price, and I have never been asked in our concern to make a different price. I would hesitate very much about changing the price, even in a small amount, because I feel that the establishment in Chicago, or elsewhere, would be obliged to do the same; and it is so with most of the great steel commodities to-day, that they have an established price that the people do not expect you to vary from. Indeed, in my experience, most of the buyers would rather buy their steel under those conditions than in open, destructive competition.

Mr. LITTLETON. Who fixed the price at $28 a ton?

Mr. SCHWAB. I do not know. I can not tell you, except that it has probably been going on for 15 years. I think that $28 a ton was probably fixed by a gentleman's agreement 15 years ago.

Mr. LITTLETON. And it has perpetuated itself by custom?

Mr. SCHWAB. By custom and usage. I can not be certain of that, but I think that is the case.

Mr. LITTLETON. If it was fixed in that way and has perpetuated itself in that way, is it based upon this control or is it within your ability to keep it at $28 a ton?

Mr. SCHWAB. I do not think there is any effort to keep it there. I think it naturally keeps itself there.

Mr. LITTLETON. Whether there is any affirmative effort to do so or not? I am not saying that there is, but I am trying to find out how it is that it hangs at that particular price. If it has been fixed so long ago, do you know what element there is supporting it that keeps it at $28 a ton?

Mr. SCHWAB. I think it is a fair profit on the cost of manufacturing.

Mr. LITTLETON. Is that, in your opinion, the reason why it remains at $28 a ton?

Mr. SCHWAB. I think so. I think if it were higher than that the customers would object. I think if it were lower than that the manufacturers would object, and it is the selling medium arrived at by custom and usage. That is my opinion. Personally, I think it is too low.

Mr. LITTLETON. You think that $28 a ton is too low?

Mr. SCHWAB. Yes.

Mr. LITTLETON. You being on the other side of the table. [Laughter.] There is not any doubt but what the price of steel rails could be made higher or lower, is there?

Mr. SCHWAB. Oh, I do not know. It could only be done, probably, by mutual agreement. I think that would probably be the only way.

Mr. LITTLETON. Suppose the United States Steel Corporation would make the announcement that they were going to sell steel rails for $22 a ton——

Mr. SCHWAB. Everybody else would probably have to do the same, for the reason that the United States Steel Corporation are going to get the rails contiguous to the properties where they make them; and so will the Bethlehem, and so will the Lackawanna——

Mr. LITTLETON. In other words, this very eminence of which you speak, which was achieved by what you regarded as a perfectly proper consolidation of the interests that has given them the potential situation in the industrial world, enables them to say, if they choose, that they will put the price at $22 a ton and they will all come to $22 a ton.

Mr. SCHWAB. No; that was not in my mind. That was not the point that was in my mind with reference to this consolidation at all.

Mr. LITTLETON. I do not mean to say that that was in your mind at the time; but I say that the thing you describe as having taken place—that is, the consolidation, which did take place, and which gave them the eminence they now have in the industrial world—makes it a fact that if they were to reduce the price from $28 to $22 a ton, it is likely that the others would do the same?

Mr. SCHWAB. It follows, as a natural consequence, that everybody else would have to do the same; but I do not say that if the Steel Corporation were to raise their price to $35 a ton the other manufacturers would do the same.

Mr. LITTLETON. No; but the Steel Corporation, if they were to raise the price to $38 a ton of steel rails, and persisted in keeping them at $38 a ton, would then encounter that same old competition between the larger elements of which you speak.

Mr. SCHWAB. I do not think they could persist in keeping it at $38 a ton if we sold to other railroads at $28 a ton.

Mr. LITTLETON. In that situation the Steel Corporation would have lost the purchaser and you would have more to sell?

Mr. SCHWAB. Quite so.

Mr. LITTLETON. You would have a better market than they would?

Mr. SCHWAB. Perhaps; yes. The market, of course, is circumscribed entirely by the cost of transportation. One-third of the entire cost of making a ton of steel is absorbed in transportation.

Mr. LITTLETON. In earlier times these mills that we have spoken of—the various steel and iron producing concerns—entered into

agreements that had for their object the fixing of the percentage of production of each concern and the price to be maintained?

Mr. SCHWAB. Quite right.

Mr. LITTLETON. And they ran along, as you have said——

Mr. SCHWAB. Intermittently.

Mr. LITTLETON. In varying degrees—that is, sometimes they would keep them, and sometimes they would not?

Mr. SCHWAB. Quite so.

Mr. LITTLETON. Sometimes they lasted for a year, and sometimes for a day?

Mr. SCHWAB. Yes.

Mr. LITTLETON. According to how rigidly the gentlemen felt bound by their agreement. But it took place thereafter that by the exchange of prices and by the exchange of information they were enabled, without any formal renewal of these arrangements or agreements, to keep their prices about the same without any penalties, and to keep their output of each concern about the same as to percentage without any penalty?

Mr. SCHWAB. I can not say in reference to output. I think it has enabled them to keep approximately the same prices. As I explained to you before, I think the output is going to come to each mill, or the amount of the output is going to come to each works naturally, by reason of its location.

Mr. LITTLETON. Did it not follow that after the Steel Corporation was formed, it being the largest single concern in the steel business in this country, that on invitation the other concerns would join in informal discussion with them—such as at Judge Gary's dinners that he gave?

Mr. SCHWAB. Quite so.

Mr. LITTLETON. And each advised the other of his price?

Mr. SCHWAB. Yes.

Mr. LITTLETON. And the knowledge that one had from the other that he was going to maintain his price at a certain point, each acting on the other's information, would keep the prices approximately the same?

Mr. SCHWAB. That is probably true.

Mr. LITTLETON. That was done without any agreement or arrangement, such as was thought to be necessary in the earlier days?

Mr. SCHWAB. Absolutely.

Mr. LITTLETON. When you speak of the creation of the Steel Corporation operating to extend trade, I take it that you mean to distinguish between a restraint of trade and a restraint of competition, do you not?

Mr. SCHWAB. Certainly.

Mr. LITTLETON. In other words, the creation of the Steel Corporation extended trade, in your opinion?

Mr. SCHWAB. Very much.

Mr. LITTLETON. Although it may have restrained competition in certain territories?

Mr. SCHWAB. I will not admit that.

Mr. LITTLETON. Whether you will or not, I am asking for information.

Mr. SCHWAB. I do not think so.

Mr. LITTLETON. Is there not a distinction between restraining trade and restraining competition?

Mr. SCHWAB. Certainly; and let me tell you what my idea was with reference to the extension of the trade: When the Steel Corporation was organized in 1900 or 1901, we did practically no foreign business. One of the first things I did was to bring Mr. Farrell, the present president of the Steel Corporation, to New York and have him develop the foreign business for the Steel Corporation. I think the result shows that we exported last year nearly 3,000,000 tons of steel. I have not the accurate figures, but certainly it was between two and a half and three million tons of steel that we exported last year. That is what I meant by the development of our organization.

Mr. LITTLETON. That certainly is a great extension of trade.

Mr. STERLING. Was it steel rails?

Mr. SCHWAB. No; all lines of steel.

Mr. LITTLETON. That is the control of the extension of the trade. That is what you meant when you said you thought the organization of the Steel Co. would result in the extension instead of in the restraint of trade?

Mr. SCHWAB. Yes. That is one of the things that I hope to accomplish.

Mr. LITTLETON. Yes.

Mr. SCHWAB. There was a desultory effort on the part of the Pittsburg, Chicago, and other manufacturers, for example, to export wire products. Every mill that made wire tried to export some, but few were successful. In carrying out my idea of the Steel Corporation, I said, "Take one mill that is nearest to the seaboard and use it for nothing but exporting. Cut out the exports from Pittsburg and Chicago and Buffalo and other places, and do all of the export business in one mill"—just as I said that the greatest economy came from making one thing in one mill. The result was that we took the mill at Allentown and used it for nothing but export. That made it possible. That is what I meant by the advantages of consolidated interests. No individual concern would have been able to do that.

The CHAIRMAN. Is there any difference between the physical character and structure of the wire for export and the wire for domestic use?

Mr. SCHWAB. No.

The CHAIRMAN. I mean, are they of different caliber?

Mr. SCHWAB. There may be local requirements for the Orient, or something of that sort; but, as far as the material is concerned, its quality is the same.

Mr. LITTLETON. What I am getting at—and I want you to help me, if you can, because this is probably the most interesting question that is before this committee and before the country—is this: Do you think that an extension of trade was effected by the consolidation of the steel interests; in other words, that the extension of the trade was best achieved in that way?

Mr. SCHWAB. I do. I think it was only possible in that way.

Mr. LITTLETON. You think at the same time that the extension of trade can be largely increased, at the same moment limiting the destructive competition, such as you call it?

Mr. SCHWAB. I think it can; yes.

Mr. LITTLETON. In other words, at the very foundation of this policy of extending the steel trade, was it not necessary, at the very outset, to restrict the competition of which you speak; that is, to stop two mills from manufacturing the same thing and cutting prices; to close one up, reduce expenses, and effectuate economies, and, in other words, harness the thing and drive it as one complete concern instead of allowing the destructive competition to go on?

Mr. SCHWAB. Mr. Littleton, that is not my view of the case exactly. There was no thought upon our part of shutting down one mill and using another, as you suggest, for restricting output.

Mr. LITTLETON. I did not say for restricting output.

Mr. SCHWAB. But for the lessening of production. You gave me that idea, at any rate. The thought was that if this mill [indicating] and this mill [indicating] made five different articles, or four different articles, this mill [indicating] would make two and this mill [indicating] would make two, and continue to make those two, thus avoiding the expense of changing rolls and things of that sort. In that way great economy would result, but the production would be the same. There was no restriction of production.

Mr. LITTLETON. Of course, the production would naturally grow with the extension of trade.

Mr. SCHWAB. Exactly. That fixes the production.

Mr. LITTLETON. If you extend the trade as largely as you have, of course, the production keeps pace with the trade.

Mr. SCHWAB. But, Mr. Littleton, once more let us get away from the idea that there was any thought in my mind, or in the mind of the people about whom I am talking, of getting any benefit in this organization from maintaining prices or restricting output. The advantages were to be gained from economies of operation.

Mr. LITTLETON. I have not got it in my mind, to begin with.

Mr. SCHWAB. That is good. I am very glad of that.

Mr. LITTLETON. What I am trying to find out is whether or not it is true, as an economic problem, industrially in this country and the world over, that it is necessary to, to some extent, restrict competition in order to extend and develop trade?

Mr. SCHWAB. Oh, I do not think it naturally follows at all. I do not think it is necessary; no. But I think it is the best thing to do. Not to restrict competition; I do not mean that. I do not think that is the best thing to do for the development of your foreign business.

Mr. LITTLETON. You think it is better that the 11 concerns which I have spoken of, instead of operating independently and manufacturing like articles and competing for a market, and at times cutting under each other—it is better for the extension of trade, it is better for the steel industry, that they should be consolidated and duplication eliminated, and competition to that extent reduced, under one head and under one control?

Mr. SCHWAB. I think so.

Mr. LITTLETON. That is, as far as it relates to the steel industry and the extension of its trade. Do you think that is always a safe thing to do, as far as the consumer is concerned?

Mr. SCHWAB. I am only a manufacturer. That is an economic question. Mr. Lindabury can tell you about that.

Mr. LITTLETON. I have been talking all the time from the standpoint of the steel industry. I know you are greatly interested in it, and familiar with it——

Mr. SCHWAB. But you ask me questions that suggest fine distinctions and shades of difference which it is most difficult for an ordinary millman to answer.

Mr. LITTLETON. You do me altogether too much credit, because for me it is like floundering around in an iron furnace most of the time. [Laughter.]

Mr. SCHWAB. It is difficult for me to draw the distinction that you make.

Mr. LITTLETON. I want to be as simple as I can about it; but if I do not make myself plain, I will desist.

Mr. SCHWAB. If I do not understand it, I will tell you.

Mr. LITTLETON. The point I make is this: I want to find out what were the benefits of this scheme of consolidation which was brought about, the purposes of it, and the objects of the people who were in it.

Mr. SCHWAB. That is right.

Mr. LITTLETON. And I think I have got that in my mind.

Mr. SCHWAB. That is right.

Mr. LITTLETON. And that was done to extend the steel trade, to develop the steel industry of the country?

Mr. SCHWAB. But I do not say that that was the only purpose; no. I said it would give a better return upon the capital invested; that the capital would be more safely invested, and the whole condition of the trade would be better.

Mr. LITTLETON. You put it better than I have been able to. What effect do you think the economies which you have spoken of, and the extension which you have described, and the control which necessarily results, would have upon the consumers of steel? I do not mean simply the railroads. I mean, for instance, this city, with its steel subway which it had to buy, on the bonds of which it pays interest; I mean on the steel structure of its buildings and its bridges, and the infinite variety of structural work into which steel enters, and the vast consuming class, who, in the final end of things, pay for those things. What effect do you think it will have upon that particular class?

Mr. SCHWAB. In the first place, there are three important branches that enter into the cost of manufacturing steel. The first is the transportation, which takes up about one-third of your entire cost. The next is labor, direct labor in the industry, which takes up another third of your cost; and your final third is made up by the great and numberless small charges that I can not itemize. Now, steel can be successfully manufactured cheaper if you get cheaper transportation and if you get cheaper labor. After all, there is nothing that enters into the cost of any manufactured article but labor. If you analyze it down to its finality, there is nothing that enters into the cost of the manufacture of steel but labor. You may say that transportation is a third, but analyze transportation down to its finality and it all figures back to labor. You can make your steel cheap enough, and sell it cheaper, and make a reasonable profit, if everything that enters into its cost is proportionately reduced. If labor

receives a better return, if transportation receives a better return, then these parties can well afford to pay a better price for the steel, and I think the economic condition is the same. Am I clear about that?

Mr. LITTLETON. Yes; quite. It is your idea that the method you adopted for consolidation and extension, such as you have described, will operate as much to the benefit of the consuming class—and when I speak of the consuming class you know what I mean; the people who must finally pay for it in some way or another——

Mr. SCHWAB. Yes.

Mr. LITTLETON. You think it will operate for the final consumer just as well as, or better than, the old system of destructive competition between concerns?

Mr. SCHWAB. I do; and that is well illustrated by the fact that, I think, there has not been one year since the organization of the Steel Corporation that the average wages of workingmen have not advanced.

Mr. LITTLETON. I did not get that.

Mr. SCHWAB. I say, I think it is well illustrated by the fact that, in my opinion—this is my best recollection—there has not been one year since the organization of the Steel Corporation that the average earnings of labor have not advanced. Do you understand that?

Mr. LITTLETON. Yes; I do. Do you think the Steel Company is able at this time to compete with the steel industries of the world?

Mr. SCHWAB. Well, I could not answer that, taken as a whole.

Mr. LITTLETON. You think it is necessary to impose an impost duty of as much as $8 a ton on steel in order to protect the Steel Corporation and like industries?

Mr. SCHWAB. Put the tax the same in all countries and the United States needs no protection from anybody. The United States to-day probably has the lowest tariff, as far as I know, of any of the countries that manufacture steel. We need this protection if we want to pay for labor and transportation what we do and yet be enabled to ship into the other steel-manufacturing countries; but give us the same conditions with reference to transportation, labor, etc., as exists in any other country and we do not need any protective tariff.

Mr. LITTLETON. Do you think you need as much protective tariff as you have now?

Mr. SCHWAB. I think we do. I think we ought to have a little more. [Laughter.]

Mr. LITTLETON. I notice that it is the general tendency. [Laughter.] Are the transportation charges higher here than they are abroad, Mr. Schwab?

Mr. SCHWAB. No; I think we have probably cheaper transportation charges here, but much longer distances.

Mr. LITTLETON. Is England a producer of steel to any great extent?

Mr. SCHWAB. Well, they produce about 5,000,000 tons a year.

Mr. LITTLETON. As against 20,000,000 here?

Mr. SCHWAB. Twenty-five million. But I would like to call attention to the fact that in 1880 England produced then about 5,000,000 tons of steel, and in 1910 about 5,000,000 tons of steel, while we pro-

duced in 1880, 1,000,000 tons and now we produce 25,000,000 tons of steel, and we have grown to this development in the business by reason of our American institutions.

Mr. LITTLETON. But we are a generally growing country as against one that is not, because of its natural physical limitations?

Mr. SCHWAB. Yes.

Mr. LITTLETON. Is there any duty on steel from this country going into England?

Mr. SCHWAB. No.

Mr. LITTLETON. So, at all events, you could compete with the English production of steel without any tariff, could you not?

Mr. SCHWAB. Yes; but England is not a very large consumer of steel. Most of England's steel is shipped abroad, and it not used in England.

Mr. LITTLETON. What is the production of Germany?

Mr. SCHWAB. About 12,000,000 tons.

Mr. LITTLETON. What other countries produce steel in large amounts?

Mr. SCHWAB. France, Austria——

Mr. LITTLETON. How much does France produce?

Mr. SCHWAB. I am not clear about the figures. I can give it approximately.

Mr. LITTLETON. Give it approximately.

Mr. SCHWAB. I should say that France produces, say, about, 6,000,000 tons; Belgium about 4,000,000 tons; Austria about 2,000,000 tons; Italy probably a million and a half tons. Even China is now a producer of pig iron and steel. Sweden and all those countries are producers.

Mr. LITTLETON. Do these countries impose as high a duty upon the importation of steel as we do in the United States?

Mr. SCHWAB. Much higher.

Mr. LITTLETON. You mean Germany and France and Belgium?

Mr. SCHWAB. Much higher; I should say nearly double.

Mr. LITTLETON. Do they send much of their steel into this country?

Mr. SCHWAB. Some; yes. That is the reason I think we should have a higher protective tariff.

Mr. LITTLETON. You want to keep it all out?

Mr. SCHWAB. No; but we ought to be able to send to our own Pacific coast.

The CHAIRMAN. I judge that they send the finished products?

Mr. SCHWAB. Quite so. That is exactly right.

Mr. LITTLETON. Is it your opinion, Mr. Schwab, that it is better to have Government control of concerns like the Steel Corporation, regulating their operations very largely, and, if necessary, fixing their prices, than it would be to have the archaic days of destructive competition?

Mr. SCHWAB. I can not answer that. I do not know.

Mr. LITTLETON. You do not care to venture any opinion?

Mr. SCHWAB. I have not thought about it at all.

Mr. STERLING. Does Germany control the Pacific coast trade of this country, largely?

Mr. SCHWAB. Not largely, but they ship a great deal of steel there by reason of their very cheap water transportation. The fact that we have to ship our steel in American bottoms, or pay very high rail

transportation by land, makes it quite possible for Germany and other countries, even China, to ship steel to the Pacific coast.

Mr. STERLING. Will the canal remedy that?

Mr. SCHWAB. It may help; yes. I think it will.

Mr. DANFORTH. How are the costs of labor in steel and iron industries in the other countries that you mention as compared with ours?

Mr. SCHWAB. Do you mean the cost per ton—the cost of labor per ton of steel—or the average labor per man?

Mr. DANFORTH. The labor per man is what I had in mind?

Mr. SCHWAB. The cost of labor per man in the United States is about double what it is in England—a little more. It is about three times what it is in Holland and Belgium, and I should say two and a quarter times as much as it is in Germany. I refer to the earnings of American steel workers.

Mr. LITTLETON. What do you sell rails per ton abroad for?

Mr. DANFORTH. Please let me finish.

Mr. LITTLETON. I beg your pardon. I did not know you had not finished.

Mr. DANFORTH. How does that affect the price of our product in this country?

Mr. SCHWAB. I think the cost per ton in the United States is as cheap as it is abroad, notwithstanding the fact——

Mr. DANFORTH. Even with the added load of the labor?

Mr. SCHWAB. Yes. I think the reason for that is because we manufacture in such large quantities. We manufacture under the economic conditions that I spoke of, and our tonnages are so great.

Mr. STERLING. Why is the tariff duty necessary, if you can produce a ton here as cheaply as they can there?

Mr. SCHWAB. For the same reason that the tariff duty is necessary over there. Why do they have a high tariff with this low labor?

Mr. STERLING. You would say, then, that the only purpose of our tariff was to set off the tariff of other countries?

Mr. SCHWAB. The tariff would, I think, protect our own labor, as a matter of fact, because in some of these countries they have very cheap raw material. China, for example, is now shipping pig iron into the United States.

Mr. LITTLETON. Is most of the labor that you employ American or foreign, Mr. Schwab?

Mr. SCHWAB. Oh, in all of the more highly finished lines of iron and steel it is American born.

Mr. LITTLETON. How many employees have the United States Steel Corporation, in round numbers?

Mr. SCHWAB. The records will show that. I suppose one hundred and forty or one hundred and fifty thousand. I have not noticed lately.

Mr. LITTLETON. How many employees have you at your particular company—the Bethlehem Co.?

Mr. SCHWAB. About eighteen or twenty thousand.

Mr. LITTLETON. What percentage of the employees, so far as you know, are American born?

Mr. SCHWAB. In our works?

Mr. LITTLETON. Yes.

Mr. SCHWAB. It would be a mere guess, Mr. Littleton.

Mr. LITTLETON. Yes.

Mr. SCHWAB. I should say at the Bethlehem Steel Co. probably 60 per cent.

Mr. LITTLETON. Are what?

Mr. SCHWAB. Are American born.

The CHAIRMAN. How many?

Mr. SCHWAB. Sixty per cent. That is a mere guess, Mr. Chairman. I have no definite figures on the matter.

Mr. LITTLETON. To go back to the prices for just a moment, what do you sell steel rails, say, in Mexico for?

Mr. SCHWAB. I can not tell you. My company exports very few rails.

Mr. LITTLETON. Do you know what the price of rails exported is in the other countries, so as to be able to answer?

Mr. SCHWAB. I can not tell you that with any definite knowledge. I think these steel people who have those figures definitely will be very glad to give them to you. It would be a mere guess upon my part. I know approximately, but I do not know positively.

Mr. LITTLETON. I was going to ask you, if it was a fact, why it was that you could sell steel rails cheaper abroad than you sold them here.

Mr. SCHWAB. I think there has been very little difference in the price. They have been a little cheaper, but only a trifle; and I think in some years they have sold at better prices.

Mr. LITTLETON. In cases where you have sold rails cheaper abroad than you sold them in this country, as has certainly been the case in some instances——

Mr. SCHWAB. Yes.

Mr. LITTLETON (continuing). What is your explanation of how that would be brought about? How can you afford to do it?

Mr. SCHWAB. Rails have not been sold in manufacturing countries—I am not qualified to speak about these things. As I say, we do not do that. I think Mr. Farrell could give you the best information about that; but in my opinion, rails have not been sold in Europe in countries that manufacture rails. They have been sold in countries with which we are competitors of Europe, like South America, Mexico, and India.

Mr. LITTLETON. How is it that you could sell cheaper in Mexico than you could at home?

Mr. SCHWAB. I do not know that we do.

Mr. LITTLETON. Have you—I am going to ask this for information; I think I am right about it—information of steel sold at $24 a ton to Mexico?

Mr. SCHWAB. I have no knowledge of it. I only want to say this: As a rail manufacturer, we make 250,000 tons a year, and I would not sell rails in Mexico at $24 a ton.

Mr. LITTLETON. I do not mean to say that it would be wise to do so, but take any of the South American countries and Mexico. I would like to know why it is that the Steel Corporation should, if it does do so, sell steel rails under the price at which it sells them to the people of this country?

Mr. SCHWAB. Is there any reason why they should not do so? Is that the question?

Mr. LITTLETON. Why they should.

Mr. SCHWAB. I think there is a very good reason.

Mr. LITTLETON. Why?

Mr. SCHWAB. Because it is all additional business brought to this country—all additional work brought into this country—and I think it is good business.

Mr. LITTLETON. And how do you explain the fact that you think it in good business to charge the people of this country, say, $28 a ton and charge the people of South America and Mexico less?

Mr. SCHWAB. I do not think there is any marked difference. Probably 50 cents or a dollar a ton. From my knowledge of the business, I think that is the maximum difference.

Mr. LITTLETON. Do you know what they are sold for in Canada?

Mr. SCHWAB. No. As I told you, we do not export rails. I am not familiar with it. Mr. Farrell can give you that better than I can.

Mr. STERLING. Does this country import rails?

Mr. SCHWAB. A few to the Pacific coast.

Mr. STERLING. From England?

Mr. SCHWAB. I think they probably come from Belgium.

Mr. STERLING. Do we import steel rails here cheaper than they sell them at home sometimes?

Mr. SCHWAB. I can not answer that. I do not know.

Mr. STERLING. I have heard it asserted that that is true.

Mr. SCHWAB. It probably is, but I do not know.

Mr. STERLING. I have also heard this statement made: That the conditions of Europe in the steel industry were worse than in almost any other industry in the country. Do you consider that true?

Mr. SCHWAB. No; I certainly do not.

Mr. STERLING. Can you give the committee some idea as to what wages are paid?

Mr. SCHWAB. By the steel companies?

Mr. STERLING. Generally, in the different lines of employment?

Mr. SCHWAB. That is all set forth in the report of the United States Steel Corporation each year. You can get the exact earnings from that report to its stockholders—of what their employees got during that year.

Mr. STERLING. Does that include common labor?

Mr. SCHWAB. That includes all labor.

Mr. STERLING. As well as expert?

Mr. SCHWAB. That is all labor; the average earnings of all employees of the Steel Corporation. I think, Mr. Lindabury, that is set forth in the report each year.

Mr. LINDABURY. I am not sure about that.

Mr. SCHWAB. I am sure it is.

Mr. YOUNG. But those are only totaled.

Mr. SCHWAB. The average earnings of each employee in the Steel Corporation for that year.

Mr. STERLING. Can you give us some idea of what your employees average per year?

Mr. SCHWAB. About $1,000 per man per year; and that includes 10 per cent of our employees who are apprentices—boys, you know—who get very small amounts.

Mr. STERLING. That is skilled labor?

Mr. SCHWAB. That is the average of all the common labor, skilled labor and all, but not salaries. That is the average of the men; and you will find it is about the same in the Steel Corporation.

Mr. STERLING. What do your skilled laborers average?

Mr. SCHWAB. If you will tell me what class of skilled laborers you mean, I will tell you.

Mr. STERLING. You can tell us what classes they are and what they get. I do not know.

Mr. SCHWAB. Do you refer to the steel workers or to the engineering workers now?

Mr. STERLING. Give us both.

Mr. SCHWAB. Let us take the melter in the open-hearth furnace. That is what we call skilled labor in the production of steel. I should say that the average earnings of our melters—this is a guess; not a guess, of course, but it is not strictly accurate—would be about $7 a day. Take the roller, for example. I should say the average earnings would be from $10 to $15 per day. Take a machinist who works in the shops, and he will earn from $2.75 to $5.50, depending upon his skill. A bricklayer about the same—$4 to $5 a day.

Mr. STERLING. Now, take the common laborers.

Mr. SCHWAB. One dollar and a half a day.

Mr. STERLING. For eight hours?

Mr. SCHWAB. No; 10 hours.

Mr. STERLING. About how many employees have you altogether? I do not mean your salaried men.

Mr. SCHWAB. Somewhere from eighteen to twenty thousand.

Mr. STERLING. All at Bethlehem?

Mr. SCHWAB. No; at Bethlehem and connected with our company; mostly at Bethlehem.

Mr. STERLING. What per cent of your employees are classed as common laborers?

Mr. SCHWAB. I think probably 40 per cent.

Mr. STERLING. And you say they work 10 hours or 9 hours?

Mr. SCHWAB. All of our people we give a half holiday on Saturday. We quit at Saturday noon; so they work 10 hours, except that on Saturday they work a half day.

The CHAIRMAN. How many men work around the blast furnaces?

Mr. SCHWAB. Probably 500; between 500 and 700.

The CHAIRMAN. I mean operating the blast furnaces.

Mr. SCHWAB. Yes; between 500 and 700, at our plant.

The CHAIRMAN. You mean that they are the men who take the molten metal from the blast furnace and carry it on through to the converters?

Mr. SCHWAB. No, sir; they are the men who handle the appliances for putting the ore into the furnace, for tapping the iron from the furnace, and similar work. There is now no longer any difficult manual labor connected with the blast furnace. It is all mechanically done, but those men all work 12 hours.

Mr. BARTLETT. Sunday and every other day?

Mr. SCHWAB. Sunday and every other day; because it is impossible to run a furnace otherwise. But I might say to you that one of the most serious subjects in the discussion at the Gary meetings was a plan to abolish that condition. We have had a committee make a

report to us as to whether it is practical or not, and if it is practical every one of the steel people there have said that they were willing to do it if some one will show us a practical method of doing it; but it is a fact, if you will pardon me, that the majority of the men working on a blast furnace object to our not allowing them to work seven days in a week.

Mr. BARTLETT. Is it not a fact that the Commissioner of Labor in the last week has reported to the Senate of the United States that one-third of the employees of the steel industry of the United States work 12 hours a day, and work 7 days in the week?

Mr. SCHWAB. I do not know about his saying a third, but what you say is true—a very large number of people in the steel industry are obliged to work 12 hours a day for 7 days in the week—not obliged.

Mr. BARTLETT. They do it all the same?

Mr. SCHWAB. They do it; but there is no man in the steel industry who wanted to work six days a week in the blast furnace, and who wanted his seventh day off, but that a substitute could and would be found for him. But 80 per cent of blast-furnace labor, I should say, probably, is foreign labor—the cheapest, lowest priced labor, almost, that we have in the industry, and the easiest labor.

Mr. BARTLETT. They do not mind working on Sunday?

Mr. SCHWAB. No; a majority of our people want to work on Sunday.

The CHAIRMAN. Is it physically possible to close up those furnaces on Saturday night and start them on Monday morning?

Mr. SCHWAB. It is not physically possible.

Mr. BARTLETT. Are the 12-hour-a-day workers, and the 7-day-a-week workers all confined to blast-furnace workers?

Mr. SCHWAB. The great majority of them, yes; or in operations similar to that, that can not be interrupted.

Mr. BARTLETT. Are 33⅓ per cent of your employees engaged in blast-furnace work?

Mr. SCHWAB. Blast furnace and allied—I did not say 33⅓ per cent.

Mr. BARTLETT. You did not say it; but I want to know whether that is true or not.

Mr. SCHWAB. I can not say that. I do not think it is that large a proportion with us by any means.

The CHAIRMAN. The hour of adjournment has arrived. We will resume at 2 o'clock, Mr. Schwab.

(The committee thereupon, at 1 o'clock p. m., took a recess until 2 o'clock p. m.)

AFTERNOON SESSION.

The committee met pursuant to taking a recess.

The CHAIRMAN. The committee will resume its session.

STATEMENT OF CHARLES M. SCHWAB—Continued.

Mr. BARTLETT. Mr. Schwab, when the committee adjourned I asked you in reference to the proportion of your employees who are working 12 hours a day and 7 days in the week?

Mr. SCHWAB. Yes, sir.

Mr. BARTLETT. And you stated that you did not know; that you thought as much as a third?

Mr. SCHWAB. I think, if you will take the average steel company, you will find that it is probably a third; but with us, we are somewhat different in that. We have a larger proportion of highly-finished work than pig iron, and probably the proportion is smaller with us.

Mr. BARTLETT. You stated that now, at the present time, you could produce steel rails in this country as cheaply as anywhere, taking into consideration all the conditions?

Mr. SCHWAB. That is my opinion.

Mr. BABTLETT. You were of the opinion in 1899 that you could produce and sell them abroad at $16 at a fair profit?

Mr. SCHWAB. I was; yes, sir.

Mr. BARTLETT. That you could sell them at the price of $16 a ton abroad and that you could produce them at $12 a ton, mill cost?

Mr. SCHWAB. Yes, sir. If you will take the trouble to go further into that statement——

Mr. BARTLETT (interposing). I have it here.

Mr. SCHWAB. Yes, sir. You will find that I have given the detailed cost of every item of steel rails produced at $12, and you will find that I have accounted for every cent of the difference.

Mr. BARTLETT. I will read a letter—do you remember the letter that you wrote?

Mr. SCHWAB. I remember it very well.

Mr. BARTLETT. I will read it to you. On May 15, 1899—you were then connected with the Carnegie Co.?

Mr. SCHWAB. Yes, sir.

Mr. BARTLETT. That was prior to the formation of the Federal Steel Co.?

Mr. SCHWAB. The Federal Steel Co.?

Mr. BARTLETT. My recollection is that it was formed in 1900.

Mr. SCHWAB. I am not sure of the date.

Mr. BARTLETT. I think that is right. This is the letter you wrote to Mr. Frick?

Mr. SCHWAB. Yes, sir.

Mr. BARTLETT (reading):

You asked me to give my views as to the probable future earnings of the Carnegie interests, and as to the proposed reorganization on a basis of $100,000,000 bonds—$250,000,000 preferred stock and $275,000,000 common stock.

Permit me to say that, commencing in 1879 as engineer constructing the work, 10 years as general superintendent of our principal works, and over two years as president, I feel that I know the properties and their possibilities as well or better, than anyone in or out of the concern.

Mr. YOUNG. Could we not save time by putting that all in the hearing?

Mr. BARTLETT. Yes, sir; I think so.

Mr. YOUNG. Mr. Chairman, you have no objection to putting the whole thing into the record?

The CHAIRMAN. No, sir.

(The letter referred to follows:)

PITTSBURG, PA., *May 15, 1899.*

MY DEAR MR. FRICK: You asked me to give my views as to the probable future earnings of the Carnegie interests and as to the proposed reorganization on a basis of $100,000,000 bonds—$250,000,000 preferred stock, and $275,000,000 common stock.

Permit me to say that, commencing in 1879 as engineer of constructing the works, 10 years as general superintendent of our principal works, and over two years as president, I feel that I know the properties and their possibilities as well, or better, than anyone in or out of the concern.

While we have been highly successful in the past, as everyone knows, I believe that we are only now getting in shape to be truly successful and truly profitable. Our April profit and loss sheet shows earnings slightly over $1,500,000, with rails netting us only $17.50, and billets $16. Lowest prices we ever had, on an average, were $16.50 for rails, and $14.50 for billets, so you see we have reaped very little of the advantages of increased prices. With prices anywhere near to-day's selling prices, we could easily make over $3,000,000 per month, and then our new works to be started in two months will, I estimate on present prices, bring us an additional profit of $600,000 per month, or a total of $3,600,000 per month.

As to the future, even on low prices, I am most sanguine. I know positively that England can not produce pig iron at actual cost for less than $11.50 per ton, even allowing no profit on raw materials, and can not put pig iron into rails with their most efficient works, for less than $7.50 per ton. This would make rails a net cost to them of $19. We can sell at this price and ship abroad so as to net us $16 at works for foreign business, nearly as good as home business has been. What is true of rails is equally true of other steel products. As a result of this, we are going to control the steel business of the world.

You know we can make rails for less than $12 per ton, leaving a nice margin on foreign business. Besides this, foreign costs are going to increase year by year, because they have not the raw materials, while ours is going to decrease. The result of all this is that we will be able to sell our surplus abroad, run our works full all the time, and get the best practice and costs in this way.

Very truly, yours,

C. M. SCHWAB, *President.*

Mr. BARTLETT. You say in that letter:

This would make rails a net cost to them (in England) of $19. We can sell at this price—that is at $19 a ton—and ship abroad so as to net us $16 at the works for foreign business, nearly as good as home business has been. What is true of rails is equally true of other steel products. As a result of this, we are going to control the steel business of the world

You know that we can make rails for less than $12 per ton, leaving a nice margin on forign business. Besides this, foreign costs are going to increase year by year, because they have not the raw materials, while ours is going to decrease. The result of all this is that we will be able to sell our surplus abroad, run our works full all the time, and get the best practice and costs in this way.

That was your view then?

Mr. SCHWAB. Absolutely.

Mr. BARTLETT. And now?

Mr. SCHWAB. In what particular? That was my statement of fact, and it was a correct statement of fact. If you care to read on the rest of that evidence——

Mr. BARTLETT (interposing). I am reading your letter.

Mr. SCHWAB. I know, but if you will go on you will find that I have given in that same statement a detailed statement of the cost of making rails at $12 a ton compared with a statement of the present cost in detail. It is pretty lengthy, but if you will take the trouble to read the statement, it is quite a consistent statement in every particular.

Mr. BARTLETT. That statement is as to the mill cost?

Mr. SCHWAB. Quite so. If you will go into that further, you will find that we took the ores which went into the making of the rails at $12 a ton at practically no cost at the mines. That is, if there was any cost, it was 5 cents or 10 cents a ton to make rails at $12. That put our ores in at practically nothing at the mines. You well

know that those ores to-day can not be leased at $1 a ton. Starting on that same basis with the raw materials, you will find that if the mill cost of rails was $12 a ton in those days, with labor, transportation, ores, coal, and coke, their added cost will make the difference I have given you.

Mr. BARTLETT. What is that?

Mr. SCHWAB. My recollection is, as I testified at that time, that rails could be made at $21.50 a ton, but that $21.50 was the full cost. My $12 a ton was mill cost. There is a very great difference between the two items, as you well know, if you manufacture.

Mr. BARTLETT. Now, in 1897, 1898, and 1899 the mill cost was about the same?

Mr. SCHWAB. It gradually increased. That was the lowest period we ever touched in the business.

Mr. BARTLETT. There was quite a steel-rail war about those years?

Mr. SCHWAB. Yes, sir; and we ran our mills to their utmost capacity.

Mr. BARTLETT. That steel-rail war continued up to the formation of the Federal Steel Co.?

Mr. SCHWAB. I do not know as to the date of the formation of the Federal Steel Co.

Mr. BARTLETT. Yes, sir.

Mr. SCHWAB. I do not mark any given transaction in my memory with the formation of the Federal Steel Co.

Mr. BARTLETT. You were not a party to that?

Mr. SCHWAB. No, sir.

Mr. BARTLETT. The Carnegie Steel Co. was not in it?

Mr. SCHWAB. No, sir.

Mr. BARTLETT. In 1897 steel rails sold at $18.75 a ton?

Mr. SCHWAB. Yes—well, I do not know. You have the record there, I suppose.

Mr. BARTLETT. I am reading from what you said.

Mr. SCHWAB. I think you will probably find that correct; I do not remember now.

Mr. BARTLETT. And in 1898 the price was $17.62?

Mr. SCHWAB. Yes, sir.

Mr. BARTLETT. And in 1899, $28.12? That is, in this country?

Mr. SCHWAB. Yes, sir.

Mr. BARTLETT. Now, you had a steel-rail war during those years, as I understand you to say, which was not very satisfactory?

Mr. SCHWAB. Not very.

Mr. BARTLETT. And you manufacturers got together and agreed to restore the price of rails to the old basis?

Mr. SCHWAB. How is that?

Mr. BARTLETT. The manufacturers of rails got together and agreed to restore the old price?

Mr. SCHWAB. I do not know whether we agreed to restore the old price; we did agree to get better prices.

Mr. BARTLETT. Did you not agree?

Mr. SCHWAB. I do not know what the old price was; it varied a great deal.

Mr. BARTLETT. But was not the uniform price of steel rails, prior to the steel-rail war, $28 a ton?

Mr. SCHWAB. No; it had been up to $33.

Mr. BARTLETT. But the price had been $28 up to that time?

Mr. SCHWAB. I can not testify; I do not remember. The records would show that, however.

Mr. BARTLETT. Is it not a fact that the price of $28 was established some years before there was any consolidation?

Mr. SCHWAB. Yes, sir.

Mr. BARTLETT. And with the exception of this steel-rail war, it remained generally at $28 a ton?

Mr. SCHWAB. Yes, sir; and higher.

Mr. BARTLETT. There was another steel war threatened in 1901, was there not?

Mr. SCHWAB. Not that I know of.

Mr. BARTLETT. The consolidation, as I understand, of the United States Steel Corporation was about 1901?

Mr. SCHWAB. Yes, sir.

Mr. BARTLETT. Prior to the consolidation, there were not only rumors, but a purpose on the part of the Carnegie Steel Co. to extend its business in building tube works?

Mr. SCHWAB. There has been a report current that the Carnegie Steel Co. threatened to extend into the line of tubes prior to the formation of the United States Steel Corporation, and that that had something to do with the formation of the United States Steel Corporation. I want to say that the Carnegie Steel Co.'s intention to extend their lines into tubes was the same practice that they had followed in all their manufacturing, which was to gradually extend their lines of manufacture into different articles. That is what we intended to do in tubes, and there was no threat or menace or anything regarding it.

Mr. BARTLETT. Except the publication in the newspapers that they intended to do so?

Mr. SCHWAB. I do not know whether it was published at that time, or after the formation of the United States Steel Corporation.

The CHAIRMAN. Was that not the statement of Mr. Carnegie, mentioned by Mr. Gates, that he was going to put up a tube mill on Lake Erie——

Mr. SCHWAB (interrupting). At Conneaut.

The CHAIRMAN. That is on the line of the Lake Erie & Bessemer road?

Mr. SCHWAB. Yes, sir.

The CHAIRMAN. Did not that disturb very vitally the tube company?

Mr. SCHWAB. Well, if it did, I did not know. I knew Mr. Converse and other people connected with the tube industry. I visited their works at the time. I prepared the plans for the works at Conneaut, and from all I knew of their feelings, they were not seriously alarmed at our going into the tube business. They felt that it was inevitable that the company should do so.

The CHAIRMAN. Is Mr. Converse a man who would be seriously alarmed unless there was something seriously alarming?

Mr. SCHWAB. He is very reliable.

The CHAIRMAN. He is a man like most all the ironmasters—a man of good nerve, fine business sense and courage?

Mr. SCHWAB. He is.

The CHAIRMAN. And if he or his company were alarmed they would be apt to have some reason?

Mr. SCHWAB. I think so.

The CHAIRMAN. I want to call your attention to an excerpt of the minutes of the National Tube Co., dated January 15, 1901. That was about the time?

Mr. SCHWAB. I think so.

The CHAIRMAN. I quote from a copy made by Mr. MacRae, the accountant for the committee, copied by him and verified by him from the minutes of the National Tube Co. He is, I believe, the president of the Certified Accountants of New York:

Book marked "No. 1," National Tube Co., from January 15, 1901, to date, containing all minutes of said company.

Here, under this date, I find this entry:

Rumors of new competition, etc. Mr. Converse said that there were rumors that the Carnegie Co. is about to install and operate a tube works with a capacity of 280,000 tons per annum.

Was that about the size of the anticipated tube works?

Mr. SCHWAB. Probably; yes, sir.

The CHAIRMAN (reading):

It is well known the tendency, lately so conspicuous, to establish a community of ownership or a unified control over great industries as the only means of restraining destructive competition, lead to the incorporation of various great companies.

Was that the motive that led to the incorporation of the Carnegie Steel Co.?

Mr. SCHWAB. It was not my understanding of the motive. May I be permitted to tell you something relative to this tube company at this point that might be of interest?

The CHAIRMAN. Certainly; anything that you care to say.

Mr. SCHWAB. Personally I had an idea that tubes might be manufactured by an entirely different process from any then in use, and I employed the engineers in my office in Pittsburg and prepared the plans of a tube mill which was different from anything that had ever been built, due to making tubes by a different process—that is, of rolling them like rails instead of welding them.

The CHAIRMAN. Making a seamless tube?

Mr. SCHWAB. Yes, sir; which would be better in every way. Consequently I spent a good deal of time in preparing the plans. Mr. Carnegie was in the office one day, and I showed him the plans and told him what I was doing and what my belief was, and, as he had done on many previous occasions, he said, "Well, you ought to be able to do it; do not hesitate a moment; go right ahead," and that was what led to the decision of the Carnegie Steel Co. to build the tube works.

The CHAIRMAN. Mr. Carnegie had the money?

Mr. SCHWAB. Yes, sir.

The CHAIRMAN. And you had the talent?

Mr. SCHWAB. I will not say that.

The CHAIRMAN. And he knew what would happen to the other fellow when you got your heads together and went at it? [Laughter.]

Mr. SCHWAB. You do not expect me to answer that question?

The CHAIRMAN (reading):

The same tendency for the same reasons led to the unity of control over great railroad systems, because they could find no other way of maintaining rates and preventing the cutthroat warfare which bankrupted the weaker ones, destroyed the profits of others, and caused all manner of discrimination and uncertainty among patrons.

It is true, I believe, that Messrs. Stetson and Morawitz wrote the charter for the Northern Securities Co.?

Mr. SCHWAB. I do not know.

The CHAIRMAN. And they wrote the charter for the United States Steel Corporation?

Mr. SCHWAB. I think so.

The CHAIRMAN. Is it not true that the same men, the same lawyers, formed the alliance between the railroads that came under the control of the Northern Securities Co., and the alliance between the iron and steel interests under the control of the United States Steel Corporation?

Mr. SCHWAB. I can not advise you.

The CHAIRMAN. Were not they the same advisors?

Mr. SCHWAB. I do not know.

The CHAIRMAN. Are not the articles of incorporation almost identical?

Mr. SCHWAB. I do not know. I know nothing about the Northern Securities matter at all; I had no interest in it.

The CHAIRMAN. To return to this matter—

During the 18 months this corporation has run there has never been a time when it could not have manufactured to advantage and profit material in competition with nearly all of the numerous industrial groups, including the Carnegie Co., but the policy of the management so far has been that except forced by self-protection, this company would not displace a ton of its neighbor's product by entering any other lines than strict tubular goods. It has rigidly confined itself to this principle up to this time. The Carnegie Co. is now enjoying trade in plates on ships at the rate of about 150,000 tons per annum with the National Transit Co., a department of the Standard Oil Co.

Is that true?

Mr. SCHWAB. We sold the Standard Oil Co. a great many plates; yes, sir; that is true.

The CHAIRMAN (reading):

This is more than equal to any tonnage which the Carnegie Co. has ever made for tubular purposes. From this it will be seen that the Carnegie Co. interests have been protected through the care and friendliness of the Standard Oil—

Is that true?

Mr. SCHWAB. Well, I was not aware of it.

The CHAIRMAN (reading):

And National Companies, and under the full belief warranted by the facts, statements, and circumstances, that such an arrangement would fully satisfy the Carnegie Co. in their ample demand for their full measure of steel tonnage for conversion into tubular products. In all of the arrangements between the National Steel, Republic, American Sheet Steel & Plate, and others of the industrial steel groups, it has been the unwritten law that each group should confine itself to the fabrication of its own specialties and should voluntarily refrain from using constant surplus of material by the production of the special product of its neighbors. If this unwritten law is to be ruthlessly disregarded by the Carnegie Co., it will, of course, have a broader significance than the mere competition with our own products.

Did you know that?

Mr. SCHWAB. I never heard of it.

The CHAIRMAN. Did not Mr. Converse, or any member of his company ever tell you, or tell the Carnegie Steel Co. that the construction of these tube works, as Mr. Gates has testified to, would be considered as a declaration of war?

Mr. SCHWAB. He certainly never told me.

The CHAIRMAN. Did you know or did anybody inform you that if those works were constructed gentlemen's agreements were going to smash, and, to use a crude expression, "Devil take the hindmost"?

Mr. SCHWAB. I never heard of it.

The CHAIRMAN (reading):

It is the intention of your officers to continue their efforts to strengthen our position at all important plants, increase our raw-material supply, to reduce the fixed charges thereat, and to combine to manage the affairs of this company conservatively and economically.

Did you ever hear of that?

Mr. SCHWAB. I know that Mr. Converse would naturally do that.

The CHAIRMAN. Proceed, Mr. Bartlett.

Mr. BARTLETT. I understood you to say, Mr. Schwab, that you could sell at that date rails abroad at $16 a ton?

Mr. SCHWAB. At the mill.

Mr. BARTLETT. At the mill, of course.

Mr. SCHWAB. Yes.

Mr. BARTLETT. At that time you were getting $28 a ton for home consumption?

Mr. SCHWAB. I think not.

Mr. BARTLETT. Not in 1899?

Mr. SCHWAB. No; I think not. I am not sure.

Mr. BARTLETT. You were getting $28.12?

Mr. SCHWAB. That may be. I can not be sure of the price at this date. Whatever is set forth in that book is correct.

Mr. BARTLETT. After the Steel Corporation was formed, you said you insisted that they should organize and form what was called an export or selling division in the company?

Mr. SCHWAB. Quite so.

Mr. BARTLETT. And that was done?

Mr. SCHWAB. At once.

Mr. BARTLETT. And Mr. Farrell was put in charge of it?

Mr. SCHWAB. He was.

Mr. BARTLETT. He is now the president of the Steel Corporation?

Mr. SCHWAB. He is.

Mr. BARTLETT. And he conducted that business a long while, did he not? For years?

Mr. SCHWAB. Yes.

Mr. BARTLETT. As the representative of the Steel Corporation?

Mr. SCHWAB. Quite so.

Mr. BARTLETT. Now, is it not a fact that during that time, while Mr. Farrell was there, you knew that rails were sold abroad, in Mexico and South America and abroad generally, at a cheaper price than they were sold for home consumption, for use in the United States?

Mr. SCHWAB. Mr. Farrell can tell you the exact details better than I can, but my present recollection is that there were no rails sold

abroad at that time; or if they were, they were of very small tonnage and of insignificant quantity.

Mr. BARTLETT. I will ask you this question; I will read some evidence that you gave before the Ways and Means Committee in 1908:

Mr. CLARK. Do you know of your own knowledge what is the greatest discrepancy there ever was between the home price of steel rails and the foreign price?

Mr. SCHWAB. The greatest discrepancy?

Mr. CLARK. Yes.

Mr. SCHWAB. You mean how high in this country and how low in Europe?

Mr. CLARK. How much lower did American manufactured steel rails sell for abroad as compared with what they sold for at home?

Mr. SCHWAB. I should say probably $10; I am not sure of that, however. That is merely a guess.

Mr. SCHWAB. Yes.

Mr. BARTLETT (reading):

Mr. CLARK. It is a habitual process to sell them cheaper abroad, is it not?

Mr. SCHWAB. Yes, sir; and a very wise process.

Do you remember that?

Mr. SCHWAB. I think so; yes.

Mr. BARTLETT. That is true now as well as then?

Mr. SCHWAB. Yes; but it does not mean that you would not sell rails for the best price you could get.

Mr. BARTLETT. I am not speaking of that. The question is, You sell them now abroad cheaper than at home?

Mr. SCHWAB. I would advise it if it was necessary to get the business.

Mr. BARTLETT. I will get to that in a moment. Mr. Cockran asked you this question:

You said that they are selling abroad cheaper than here?

Mr. SCHWAB. Yes, sir.

Mr. COCKRAN. You said that it is a very wise process?

Mr. SCHWAB. Quite.

Mr. COCKRAN. Could you explain the wisdom of it to the victims of it as well as to the beneficiaries of it? From the point of view of the American consumer, where does the wisdom of it come in?

Mr. Schwab answered:

I am not thinking of the consumer. I am thinking of the manufacturer.

Mr. SCHWAB. Quite so.

Mr. BARTLETT (reading):

I presume there is no argument there.

Now, you said there that you usually charged what you could get?

Mr. SCHWAB. What is that?

Mr. BARTLETT. That you usually charged what you could get abroad?

Mr. SCHWAB. Yes; of course.

Mr. BARTLETT. In selling abroad you come in competition with the Germans, do you not?

Mr. SCHWAB. Yes.

Mr. BARTLETT. And with the French and the Austrians and these people who have high tariff?

Mr. SCHWAB. Quite so.

Mr. BARTLETT. And you would not sell them cheaper abroad than you would at home unless it was to meet the competition of those

countries that make rails under the existing conditions in those countries?

Mr. SCHWAB. Naturally so.

Mr. BARTLETT. So that you are able in the foreign markets to sell rails manufactured here in the United States as cheaply or cheaper than those manufactured abroad under the conditions there? You are able to do that?

Mr. SCHWAB. I think so; yes, I think so.

Mr. BARTLETT. You can not give us any estimate of the extent of what that foreign trade is with reference to rails? You can not give us any estimate of how much of the production you sell abroad at these cheaper prices?

Mr. SCHWAB. As I told you, my company does not export rails. Therefore I am not in close touch with that. I can not advise you as to the tonnages of rails as separated from other steel.

Mr. BARTLETT. You are able to compete with them, although you have to pay insurance and freight and all those transportation charges?

Mr. SCHWAB. We do not ship into other countries, because the tariff prevents our doing so. Rails are not sold in England, France, Germany, and Austria by Americans. That is impossible. Rails are only sold in foreign countries where they compete on transportation charges with us—India, Asia, China, Japan, South America——

Mr. BARTLETT. Well, take our other steel products. You sell other steel products cheaper abroad than you do at home, do you not?

Mr. SCHWAB. You mean to-day? Are you referring to now?

Mr. BARTLETT. Since the formation of the Steel Trust, I will put it, you have done so?

Mr. SCHWAB. Yes; and we have sold some at a higher price. I remember one year when the rates averaged higher. We have received better prices for steel sold abroad than at home since the formation of the Steel Corporation. Those conditions are changed with the market conditions and the demand.

Mr. BARTLETT. You sold some, especially, to the Canadian Pacific Railroad in 1904 for $21 a ton. Do you recall that?

Mr. SCHWAB. I do not know that. I do not remember the special order. Do you mean the Steel Corporation did?

Mr. BARTLETT. Yes: the Steel Corporation.

Mr. SCHWAB. That is quite possible.

Mr. BARTLETT. Did you not sell a large number of steel rails to the Canadian Pacific, to be delivered at Montreal, at $21 a ton in 1904?

Mr. SCHWAB. That may be, but that was one of so many thousands of transactions that, frankly, I do not remember it. I do not know. The records will speak for that.

Mr. BARTLETT. If it be a fact that the Steel Corporation in 1904 sold to the Canadian Pacific or to any Canadian railroad company, to be delivered at Montreal, steel rails at $21 a ton, at that time you were selling in the United States to the people who needed them at $28 a ton, were you not?

Mr. SCHWAB. As I said to you, very frankly, I have no recollection of that sale or of the fact; but if it should be done I should have advised it at the time.

Mr. BARTLETT. At that time?

Mr. SCHWAB. Yes; as good business.

Mr. BARTLETT. And whether you thought it wise policy to do it or not, at the time when you were selling them at this price, either in Canada or abroad, you were charging the people in America at the rate of $28 a ton?

Mr. SCHWAB. I think it was good business to do so.

Mr. BARTLETT. It is a fact that rails in 1904 were $28 a ton in the United States?

Mr. SCHWAB. If they were sold for $28 a ton at home and we had an order for our surplus capacity that could be obtained at $21 a ton, I would advise doing it and think it good business to do it.

Mr. BARTLETT. Is it a fact that if you had an order from the same person which contained an order for steel rails for use in the United States, and also for the shipment of steel rails to be used in Mexico, or abroad, you charged the same person $28 for those to be used in the United States and $21 or $24 a ton, or whatever you charged, for those to be used in Mexico?

Mr. SCHWAB. The chances are that we would do so; yes. But that does not mean to say that any industry would be successful if it sold all its rails at $21 a ton.

Mr. BARTLETT. Not at all.

Mr. SCHWAB. But for the surplus capacity of an idle plant, if you could sell those rails at cost, it is certainly good business, as enabling a man to reduce his charges and make the remainder of his products at a better profit.

Mr. BARTLETT. This method of doing business, of selling at $28 a ton to the consumer in the United States and $21 or $24 to the consumer abroad, has been going on for a long time. Do you not think it is about time for the American consumer to get something of the surplus at the surplus price?

Mr. SCHWAB. Why does he not get it?

Mr. BARTLETT. Because you have the prices fixed.

Mr. SCHWAB. Why does he not bring foreign rails in here, if you will pardon me for asking the question?

Mr. BARTLETT. One reason has been that up to two years ago there was a pretty high duty, and there still is a pretty high duty.

Mr. SCHWAB. Why does he not bring the rails in here to-day? There is not a high duty now—not as high as in any of the other countries. There is no objection to his doing so.

Mr. BARTLETT. No; there is no objection, but he does not do it.

Mr. SCHWAB. No. But that is not our fault.

Mr. BARTLETT. After this consolidation of the companies you say it tended to and did reduce the price of manufacturing and eliminated——

Mr. SCHWAB. As compared with the individual companies; yes.

Mr. BARTLETT. Exactly. And did that consolidation reduce the cost of making rails?

Mr. SCHWAB. It would reduce all the costs of manufacturing, especially the general costs.

Mr. BARTLETT. If that consolidation reduced the cost of making everything, including rails, why was it that soon after the consolidation, the formation of the United States Steel Co., absorbing these various companies, the price of steel rails jumped up to $28 a ton, when they had been as low down as $17 a ton in 1898?

Mr. SCHWAB. The price of steel rails was $28 a ton before the formation of the Steel Corporation. It did not jump up upon the formation of the Steel Corporation.

Mr. BARTLETT. It did not?

Mr. SCHWAB. No, sir.

Mr. BARTLETT. Well, the prices went up on the formation of the Federal Steel.

Mr. SCHWAB. I do not know anything about that. We had nothing to do with that.

Mr. BARTLETT. Well, there was a considerable rise in the price, certainly, from 1899 to 1900, was there not?

Mr. SCHWAB. From 1899 to 1900? Yes.

Mr. BARTLETT. A difference of how much change in price?

Mr. SCHWAB. You will find the figures there. I do not remember them, but I want to make one point clear to you. You have not asked me about the question, but if you will take the time to read through that statement of cost you will find that that great difference is made up first of all things, in my estimation, of the mill cost of making rails. I took the ore at nothing at the mines—or 5 or 10 cents a ton—whereas in subsequent years the ore was taken at its value. Do you understand that?

Mr. BARTLETT. Yes.

Mr. SCHWAB. And that makes the very great difference in the cost of the rails in subsequent years as compared with the year in which I wrote that letter. And the same is true of coke and all of the raw materials which we owned—which the Carnegie Co. owned—and which we acquired at a very low lease or price; and those raw materials were put into the cost of the rails at the price at which we acquired them. Do you understand that?

Mr. BARTLETT. Yes.

Mr. SCHWAB. Now, in subsequent years, they were put in at a price at which they could be acquired or their market value; but I call your attention to the fact that in most instances the leasing price of ore, coal, and similar things went up tenfold.

Mr. BARTLETT. Do you know anything about the purchase of steel rails for the Chinese Railway, the Manchurian Railway, from the Steel Corporation?

Mr. SCHWAB. No, sir; I do not remember it.

Mr. BARTLETT. Was there not a large sale at $7.50 a ton less than it was sold at in this country?

Mr. SCHWAB. I do not know; but I should think it was very good business to do it.

Mr. BARTLETT. You would have advised that it be done if you had been consulted about it?

Mr. SCHWAB. Unquestionably.

Mr. BARTLETT. If foreign rails came in competition with you, you would cut the price, would you not?

Mr. SCHWAB. We would have to; certainly.

Mr. BARTLETT. Do you know anything about such a transaction as this having occurred—that the Steel Co. sold to the Metropolitan Railroad of Kansas City at $19 a ton when it was ascertained that they had been quoted from Belgium at $21 a ton?

Mr. SCHWAB. I do not know anything about that, but I imagine that it is quite likely. If such a thing should happen, I should advise meeting it.

Mr. BARTLETT. Was the Carnegie Co. purchased by the people who engaged to purchase at once, or was there a delay in the purchase? What was the purchase price first fixed?

Mr. SCHWAB. That is all a matter of record that I should not like to press my memory to go into. I think you can get the information much more accurately from the published documents which you have had submitted here as to the price rather than from my memory regarding the sale. I will endeavor to give it to you if you want it again, but I know I have read it in your proceedings.

Mr. BARTLETT. I did not know that.

Mr. SCHWAB. Yes.

Mr. BARTLETT. The first agreement was not carried out, was it?

Mr. SCHWAB. Oh, yes; it was.

Mr. BARTLETT. Was there not a forfeit, and was there not a forfeiture paid?

Mr. SCHWAB. Oh, that was quite a different thing. That had nothing to do with the Steel Corporation at all. That was an option that was given to Mr. Frick and Judge Moore; but that was some time, some year or more prior to the formation of the Steel Corporation.

Mr. BARTLETT. And the Steel Corporation purchased it at a much larger price than that which was fixed then?

Mr. SCHWAB. Not much larger; my recollection is that it was the same price. I do not want to be quite sure, but my recollection is that it was the same price plus the accrued earnings since that time. That is my recollection.

Mr. BARTLETT. You speak about these gentlemen's agreements. To what extent did the gentlemen's agreements take in corporations? What corporations or what steel manufacturers did they embrace at the time they were made?

Mr. SCHWAB. At some time or other practically every steel manufacturing company in the United States; and not only steel, but practically every other industry.

Mr. BARTLETT. They continued down to what time?

Mr. SCHWAB. Well, they continued and discontinued almost——

Mr. BARTLETT. How long did any of them keep up? How long were they kept up? To what time recently?

Mr. SCHWAB. I do not quite understand.

Mr. BARTLETT. When did you cease making, or cease keeping the gentlemen's agreements?

Mr. SCHWAB. I can not tell you that. I do not recall—excepting that I think along about 1900 they ceased making gentlemen's agreements to any extent at all, and I think after 1904 or 1905 there were none—none that I know of.

Mr. BARTLETT. That was an agreement that was made when gentlemen gathered together socially at dinner or elsewhere, and had an understanding amongst themselves, which was considered more binding than if you put it in writing or signed it, was it not?

Mr. SCHWAB. It was an agreement wherein a lot of gentlemen sat down at table and agreed that the price of a commodity was to be x, and that each one was entitled to a certain percentage of the production. That is the long and short of the whole thing.

Mr. BARTLETT. And territory?

Mr. SCHWAB. No; they never divided territory.

Mr. BARTLETT. Was there any effort ever made to enforce any penalty for the violation of those agreements, or did you have any understanding as to what penalty was to be inflicted? Was he simply dropped out, or was something to be done to punish him for it?

Mr. SCHWAB. Not at all. I think there was in the Plate agreement a small money forfeit. I do not recall any others that had that forfeit.

Mr. BARTLETT. Did he not pay into a common treasury fund, and in case he violated the agreement, was not part of that to be taken and charged up to him?

Mr. SCHWAB. No; I do not know of any instance of that kind, excepting the one we speak of—the Plate. They were generally agreements or understandings such as I have spoken of, where each one was entitled to a certain percentage of the business, and we maintained the price. Those were the only two things that we really needed any agreement on.

Mr. BARTLETT. And it depends altogether upon the gentleman as to whether he kept it or not?

Mr. SCHWAB. Quite so.

Mr. BARTLETT. He could not make another after he violated the first?

Mr. SCHWAB. Oh, I would not say that. We did. [Laughter.] We were rather forgiving in those things.

Mr. BARTLETT. Do you know of any agreement, international in its scope, with reference to the fixing of the price of steel rails?

Mr. SCHWAB. I never heard of it.

Mr. BARTLETT. Or of any other steel products?

Mr. SCHWAB. I never heard of it at present.

Mr. BARTLETT. At present?

Mr. SCHWAB. Yes; and, as a matter of fact, I do not know of any at any time.

Mr. BARTLETT. You did not attend the Brussels conference?

Mr. SCHWAB. I did.

Mr. BARTLETT. You did not consumate any such agreement there?

Mr. SCHWAB. It was not even spoken of.

Mr. BARTLETT. Not above a whisper, anyhow?

Mr. SCHWAB. Not at all. I understand that every word of the proceedings—and I can inform you definitely—that every word of the proceedings of the Brussels conference is being published, and I am sure will be open to everybody's inspection.

Mr. BARTLETT. Is it not a fact that the United States Steel Corporation was organized in 1901 with a view of getting rid of what you call destructive competition?

Mr. SCHWAB. No, sir; I have taken, I think, more pains about that than about any other point, to make clear to you this morning the purpose as I saw it and understood it and explained it to Mr. Morgan and the other gentlemen for the formation of the Steel Corporation. There is no mistake about that at all.

Mr. BARTLETT. It did, in a measure, eliminate destructive competition, did it not?

Mr. SCHWAB. Well, I think you will find that at the time of the formation of the Steel Corporation this destructive competition did not exist. It was long prior to the formation of the Steel Corporation.

Mr. BARTLETT. Well, that is a matter to be determined.

Mr. SCHWAB. Well, that is true; that is true. It was the threatened competition that you spoke of as being a possibility, but it was not actual.

Mr. BARTLETT. Prior to 1899, and up to 1900, you had had, I understood you to say, up to 1899, a steel war—in 1897, 1898, and 1899?

Mr. SCHWAB. In 1897 and 1898. In the fall of 1898 my recollection is that the steel situation was very good.

Mr. BARTLETT. Did you not anticipate another steel war?

Mr. SCHWAB. Well, the one you refer to, that seemed to be in the minds of some people, about the destructive competition in tubes, is the only thing I recall.

Mr. BARTLETT. You have not had any destructive competition in steel manufactures since the formation of the United States Steel Corporation, until May or June of this year, have you?

Mr. SCHWAB. Oh, yes, sir; we have had.

Mr. BARTLETT. Destructive competition?

Mr. SCHWAB. We had very low prices and keen competition—keen cutting of prices. Let me see. I should say that three or four years ago we had some very low prices that maintained for a time.

Mr. BARTLETT. The Republic Iron & Steel Co. this year began to cut prices, did it not?

Mr. SCHWAB. Yes; they did. That was in one branch of the steel business.

Mr. BARTLETT. That was the first time that company or any other company had done that for several years, was it not?

Mr. SCHWAB. Oh, no; not at all; not at all. That has happened a good many times. That is not unusual at all.

Mr. BARTLETT. That is all I want to ask. I am through.

Mr. YOUNG. Mr. Schwab, I want to call your attention again to this somewhat famous letter which Mr. Bartlett read a portion of.

Mr. BARTLETT. I did not read it all, because you suggested that I should not.

Mr. YOUNG. I am making no criticism of you.

Mr. BARTLETT. That is all right; but that is the reason I did not do it.

Mr. YOUNG. In relation to that letter, in this hearing before the Ways and Means Committee in 1909, from which Judge Bartlett has been reading, did you not testify as follows:

Secondly, I want to explain the motive of that letter.

Mr. SCHWAB. Yes.

Mr. YOUNG [reading]:

The letter was written at Mr. Frick's solicitation.

Mr. SCHWAB. That is right.

Mr. YOUNG [reading]:

It was at a time when he was anxious to dispose of the Carnegie Co.

Mr. SCHWAB. That is right.

Mr. YOUNG [reading]:

And it was also written in an optimistic vein for a like reason.

Mr. SCHWAB. Quite so. That is right.

Mr. YOUNG [reading]:

If you will bear that in mind in reading that letter, you will probably understand it better.

Mr. SCHWAB. That is right.

Mr. YOUNG. I think you have stated quite fully in a general way what caused the increase in the cost of making rails from the time this letter was written up to the time you gave your testimony. That was, principally, the increase in the raw material.

Mr. SCHWAB. Largely; as well as transportation and as well as labor. Please note in the year when that letter was written common labor was $1 a day and the Pennsylvania Railroad was paying 90 cents a day.

Mr. BARTLETT. That is, 1909?

Mr. SCHWAB. At the time that $12-rail question came up.

Mr. BARTLETT. 1909.

Mr. YOUNG. May 15, 1909. Of course, it related to the last year's business.

Mr. SCHWAB. Yes. I referred to the previous year's business. Not only was labor lower, but material and everything was at the very lowest ebb in the history of the industry at that time. I want to make one other explanation——

Mr. YOUNG. Mr. Chairman, I would like to put into the record the testimony of Mr. Schwab relating to this subject of prices.

The CHAIRMAN. It will be so ordered.

Mr. YOUNG. I simply do it so as to save going over this again.

(The testimony given by Mr. Schwab before the Ways and Means Committee on Tuesday, December 15, 1908, as indicated by Mr. Young, is as follows:)

The CHAIRMAN. A letter has been quoted as having been written by you to Mr. Frick in 1899, stating the cost of the production of steel rails at that time.

Mr. SCHWAB. I think that is correct.

The CHAIRMAN. Is that an authentic letter?

Mr. SCHWAB. It is.

The CHAIRMAN. What did you state was the cost of steel rails in that year?

Mr. SCHWAB. I have not a copy of the letter and——

Mr. HILL. Had we not better have the letter read?

Mr. SCHWAB. If you will, because I haven't a copy of the letter; but I know that I wrote the letter, and I have no doubt that the publication that you have is correct.

The CHAIRMAN (reading):

"PITTSBURG, PA., *May 15, 1899.*

"MY DEAR MR. FRICK: You asked me to give my views as to the probable future earnings of the Carnegie interests and as to the proposed reorganization on a basis of $100,000,000 bonds—$250,000,000 preferred stock and $275,000,000 common stock.

"Permit me to say that, commencing in 1879 as engineer constructing the works, 10 years as general superintendent of our principal works, and over 2 years as president, I feel that I know the properties and their possibilities as well, or better, than anyone in or out of the concern.

"While we have been highly successful in the past, as everyone knows, I believe we are only now getting in shape to be truly successful and truly profitable. Our April profit-and-loss sheet shows earnings slightly over $1,500,000, with rails netting us only $17.50 and billets $16. Lowest prices we ever had,

on an average, were $16.50 for rails and $14.50 for billets; so, you see, we have reaped very little of the advantages of increased prices. With prices anywhere near to-day's selling prices we could easily make over $3,000,000 per month, and then our new works to be started in two months will, I estimate on present prices, bring us an additional profit of $600,000 per month, or a total of $3,600,000 per month.

As to the future, even on low prices, I am most sanguine. I know positively that England can not produce pig iron at actual cost for less than $11.50 per ton, even allowing no profit on raw materials, and can not put pig iron into rails, with their most efficient works, for less than $7.50 per ton. This would make rails a net cost to them of $19. We can sell at this price and ship abroad so as to net us $16 at works for foreign business, nearly as good as home business has been. What is true of rails is equally true of other steel products. As a result of this, we are going to control the steel business of the world.

You know we can make rail for less than $12 per ton, leaving a nice margin on foreign business. Besides this, foreign costs are going to increase year by year, because they have not the raw materials, while ours is going to decrease. The result of all this is that we will be able to sell our surplus abroad, run our works full all the time, and get the best practice and costs in this way.

Very truly, yours,

C. M. SCHWAB, *President*.

The CHAIRMAN. Was that the letter?

Mr. SCHWAB. To the best of my knowledge that is the letter.

The CHAIRMAN. Were those facts stated in that letter true at the time?

Mr. SCHWAB. Yes.

Mr. CLARK. I hope the chairman will publish the letter.

The CHAIRMAN. Certainly; I will hand it to the reporter and it may be published.

Mr. COCKRAN. It is dated in 1899, you say, Mr. Chairman?

The CHAIRMAN. May 15, 1899. You say it was true at that time, Mr. Schwab?

Mr. SCHWAB. It was.

The CHAIRMAN. That you could produce steel rails at $12?

Mr. SCHWAB. We did. May I make an explanation, for you are asking questions?

The CHAIRMAN. One moment. I wish to ask you a few questions, and you will have a full opportunity to explain.

Mr. SCHWAB. Very well, go ahead.

The CHAIRMAN. You stated there that you knew positively that England could not produce pig iron at actual cost for less than $11.50 per ton, allowing no profit on raw materials. Was that true?

Mr. SCHWAB. At that time it was.

The CHAIRMAN. And could not put pig iron into rails, with their most efficient works, for less than $7.50 per ton?

Mr. SCHWAB. Quite right.

The CHAIRMAN. Which would make a net cost to them of $19?

Mr. SCHWAB. Quite right.

The CHAIRMAN. While you could make them for less than $12?

Mr. SCHWAB. Yes, sir.

The CHAIRMAN. So that the relative cost of making steel rails at that time in this country and England was $7 less here than there?

Mr. SCHWAB. That is not quite right, but very nearly so.

The CHAIRMAN. But substantially so?

Mr. SCHWAB. Substantially; yes.

The CHAIRMAN. Now, Mr. Schwab, we will hear your explanation.

Mr. SCHWAB. First of all, I want to say that that letter was written as an enthusiastic and optimistic young man seeking preferment in a great company.

The CHAIRMAN. Well, what was your age at that time?

Mr. SCHWAB. Well, we will let the worthy chairman guess at that.

The CHAIRMAN. You have no conscientious scruples against stating your age, have you?

Mr. COCKRAN. Better let us know your age, so that we can measure the enthusiasm for truth.

Mr. SCHWAB. Mr. Cockran can be assured that the truth is it was written in an optimistic vein.

Mr. COCKRAN. It is entirely true?

Mr. SCHWAB. Yes, sir; it is. That letter was written from the point of view of a manufacturer's department; in other words, while president of the company, I was particularly in charge of operation and was anxious to make the best showing possible in that department. That $12 per ton was actual mill cost, and it included none of the general charges which would be incident to any great business.

The CHAIRMAN. What did it include?

Mr. SCHWAB. I am going to tell you. The actual cost of making steel rail, other than interest charges, depreciation, and similar charges, which were always made by the auditing department in making up the yearly report.

The CHAIRMAN. Including the office force?

Mr. SCHWAB. Including the office force at the works but none of the general charges of selling or administration. The English cost did include it; and I will give you this cost in detail, if I may.

The CHAIRMAN. We would be very glad to have the costs right now.

Mr. SCHWAB. I should be glad to do that. Secondly, I want to explain the motive of that letter. The letter was written at Mr. Frick's solicitation. It was at a time when he was anxious to dispose of the Carnegie Co.; and it was also written in an optimistic vein for a like reason. If you will bear that in mind in reading that letter, you will probably understand it better.

Now, I will go to the cost—as to how I arrived at a cost of $12 at that time for making rails, which was quite true then. We were leasing our ores at that time in the Northwest. We were not large owners of ores. We started out to buy them. But we were purchasing and leasing ores, as people familiar with the trade will recollect, at 10 cents and 15 cents a ton. The cost of mining in the Mesaba, because that was about the time the Mesaba ores were being made entirely on the surface and there was no depth mining at all, that was being done at a cost of 15 to 25 cents a ton, so that our cost of ore at the mines at that time was about from 35 to 40 cents a ton. Now, we transported those ores to the Lakes for from 60 to 70 cents a ton. We transported them on the Lakes for 60 cents a ton, and we transported them from the Lakes to Pittsburg for 70 cents a ton more.

Mr. UNDERWOOD. That makes $2.40.

Mr. SCHWAB. I think that is right—in Pittsburg for these ores. Now, if you will divide by 58 per cent, which was then the average amount of iron in the ore, you will get the cost of the ore to make a ton of pig iron.

The CHAIRMAN. About $2, is it not?

Mr. SCHWAB. It is more than $2. If you will divide by 58 you will get the exact figure. Fifty-eight per cent was the contained iron in the ores in that year. It makes quite a difference between 50 per cent and 58 per cent. I will divide it, if you like, but I see several members of the committee making the calculation, and I am sure it will be correct.

Mr. DALZELL. Mr. Hill makes it $4.31.

Mr. SCHWAB. $4.31. Now, you must allow something for loss in that, because you do not get entirely all the iron; some passes over in dust, but it will be approximately $4.50. In that year it was from $4.50 to $5 a ton—$4.50 nearly—for the amount of ore to make a ton of pig iron.

The CHAIRMAN. About $4.50?

Mr. SCHWAB. Yes, ore to make a ton of pig iron. Now, the coke was the next thing. It cost us about $1 a ton to make our coke at the ovens in that year, and we had the coke carried to our furnaces for 75 cents, so that you will have to add $1.75 for fuel to make a ton of pig iron.

The CHAIRMAN. That is the total coke to make a ton of pig iron?

Mr. SCHWAB. It takes 1 ton of coke to make a ton of pig iron with 58 per cent ore.

Now, I will go on. Then you take the limestone. The limestone in the Pittsburg pig was carried 14 miles at 10 cents a ton. Our cost of limestone was about 35 cents for each ton of pig iron. If you will add to that about $1.65—it will cover all the expenses outside of material for making a ton of pig iron—you will have the approximate cost of a ton of pig iron that year.

The CHAIRMAN. What were those expenses, labor?

Mr. SCHWAB. Labor expense, and small things about the works.

The CHAIRMAN. Steam?

Mr. SCHWAB. Well, there was no steam in making pig iron; there was some at that time, but very little. Now, that was the cost of making pig iron in that year. If you will recollect, in that same year Pittsburg made a great many con-

version contracts for making billets, the cost of which is not widely different from the cost of making rails, at $5 per ton above the cost of pig iron. That $5 a ton included our profit in those years, and I am not stating anything that is not generally known. If you will add, therefore, about $3.75 more a ton to that you will have the cost of making rails in Pittsburg in that year—that is, the mill cost, absolutely. It was about $12. Now, that would vary from month to month——

Mr. COCKRAN. Do you mean allowing for depreciation and things of that kind?

Mr. SCHWAB. I do not; I mean absolutely the cost at the mill. I stated that at first. My estimate was made up from the mill.

Mr. BONYNGE. You have given each of the items that make that up?

Mr. SCHWAB. I have, but I have not included depreciation, interest, or similar charges.

Mr. BONYNGE. It simply includes those items that you have mentioned, giving the amount of each item?

Mr. SCHWAB. Certainly.

Mr. COCKRAN. That would be $5 for conversion?

Mr. SCHWAB. I can give you that in detail if you would like.

Mr. COCKRAN. But that $5 included the profit?

Mr. SCHWAB. We had about a dollar to a dollar and a quarter.

The CHAIRMAN. How much is the total cost of converting pig iron into rails?

Mr. SCHWAB. From $3.75 to $4 a ton, that year.

Now, I want to tell you something else about that year. We have taken that part of the cost. We paid common labor that year a dollar a day. The lowest salary I ever received myself up to that time was in that year. There never was a time when we had everything connected with the steel industry on such a low basis as in that year. Men were most anxious for work, and you could get lots of men at from a dollar to a dollar and a quarter a day who would do the work of two men of to-day. The number of men employed in the mills was only one-half what it is under similar conditions to-day. I only speak of some of the things that go to make up the rail rates in that year. If you will read Mr. Carnegie's article on rebates, you will see that we had rates in many instances one-third of what they are to-day.

Mr. HILL. Do the same conditions exist in Great Britain in regard to labor with which you made comparison at that time?

Mr. SCHWAB. Quite true; excepting this: At that time, in Great Britain, they had no mechanical appliances such as we had. Our great advantage in cost was because of our ability to mechanically produce things that they did manually.

Mr. HILL. Does that special advantage exist now?

Mr. SCHWAB. No, sir; it does not, for the reason that they have been able to adopt the things that we developed.

Mr. HILL. There is less necessity for a difference in the tariff now than there was then?

Mr. SCHWAB. I will come to that later, if I may go on, because I want to be very frank about the whole situation. I want to point out to you an apparent inconsistency which is not so inconsistent when you come to analyze it; in other words, let me put the question: "If I were writing that letter to-day, at what would I put the cost of steel rails?"

Mr. DALZELL. I was going to suggest that you tell us, in the same detail, what it would cost to-day.

Mr. SCHWAB. I would be very glad to do so. First of all, some seven or eight years ago—no; probably in 1901 or 1902, I am not sure—I testified before one of your committees in Washington that I placed a value on the ores of the United States Steel Corporation of a dollar a ton in the ground.

Mr. RANDELL. In order that I may understand you, are you going to talk in an optimistic vein or a pessimistic vein?

Mr. SCHWAB. I will let you be the judge of that; you may be the judge of that, sir. As I say, I then testified that the ore was worth a dollar a ton. It was then thought to be an optimistic estimate. I would call attention to the fact that since that time ores have not only been sold at a loss at a dollar a ton, but the lowest grade we have. I then spoke of 58 per cent ores, the same kind we have been using. The Steel Corporation are leasing to-day from the Great Northern Railroad—Mr. Hill—ores, the minimum of which are 89 cents, and in three years will be above a dollar a ton. So I want you to appreciate——

Mr. UNDERWOOD. Is that royalty alone?

Mr. SCHWAB. Yes; without any cost of taking it out of the mines. Now, I can not say accurately—the steel corporation can testify to this—but I think from one-fifth to one-fourth of all the ores that they take out this year will probably come from the properties on which they pay from 85 cents to $1 a ton royalty. That is first. Secondly, these mines that were formerly shoveling it—I have read in the newspapers some expert testimony on the cost of shoveling out Mesaba ores—but those ores are shoveled out at a cost of from 5 to 10 cents a ton. These mines are much deeper to-day, and much more costly to operate, and I do not believe that the Mesaba ores on an average can be produced to-day, mined to-day, anywhere below 50 cents a ton, and I think the cost is between 50 and 60 cents. You can not buy Mesaba ores to make steel; you must use old ores, or hard ores, and the cost is nearly double that, varying from 75 cents to $1 a ton.

Mr. COCKRAN. In what proportion?

Mr. SCHWAB. The best proportion is half and half. Please put these figures down, Mr. Hill. You have the cost of the ore in the ground at $1 per ton, as against our 10 and 15 cents I spoke of. If you will put the cost of mining now at 50 cents per ton, if you will put the cost of getting it to the Lakes at 85 cents (I am giving you actual charges now), if you will put the cost of carrying it on the Lakes at 70 cents, the cost of unloading and taking it to Pittsburg at $1, you will have the cost of the ores in Pittsburg.

Mr. HILL. Has the freight rate from the mines to the Lakes increased in these 10 years?

Mr. SCHWAB. It has.

Mr. HILL. How much?

Mr. SCHWAB. My best recollection is—I have not the exact figures—that it has increased from 60 to 85 cents. And it has increased on the Lakes not so much, but from 60 to 70 cents.

Mr. HILL. Then there is an increase of about $1 in the transportation?

Mr. SCHWAB. Yes.

Mr. HILL. And the United States Steel Co. owns and controls the transportation?

Mr. SCHWAB. I can not speak about that. You must ask them about that. Now, if you will divide that by 49, which is the average percentage of iron in the ore brought down last year, you will have the cost of the ore to make a ton of pig iron during these past several years.

Mr. CALDERHEAD. Instead of 58?

Mr. SCHWAB. Instead of 58. We rejected ore up to that time that ran below 58, but now we take all of it that runs as high as 48. The other is not procurable; you can not get it.

The CHAIRMAN. Go on, Mr. Schwab.

Mr. SCHWAB. I would like to have these figures.

The CHAIRMAN. You had better make your own figures.

Mr. HILL. I make it 8.26.

Mr. SCHWAB. Well, I believe in labor saving.

Mr. DALZELL. 8.26, Mr. Hill says.

Mr. SCHWAB. If you will add what I did in the previous instance, the usual loss.

Mr. UNDERWOOD. I have worked it out and make it 8.20.

Mr. SCHWAB. Now, if you will add the usual losses in there you will find that that will be another 50 cents a ton. I allowed a lesser amount before——

Mr. UNDERWOOD. Your figures, then, show the cost of ore at the Pittsburg furnace, to make a ton of pig iron, amounts to $8.50?

Mr. LONGWORTH. And it was $4.50 in 1889?

Mr. SCHWAB. Yes, sir; I will give you further details if you desire it.

Mr. GAINES. You are talking about different figures. Mr. Underwood said $8.50——

Mr. SCHWAB. Well, I added 50 cents a ton. $8.76 is right.

Mr. HILL. That is right?

Mr. SCHWAB. That is about right.

Now, if you will come to the cost of coking coal, you will find that in those years coking coal in the Connellsville region—I am calling on my memory for this; Mr. Dalzell will probably know better than I—was about $600 an acre, and to-day it is worth $3,000 an acre, the same coal. The cost of coke, therefore, made from Connellsville coal is proportionately greater. These are approximate figures, because it is hard to fix a definite value on those two things. Therefore, I know that coke may not be produced in the ovens to-day

under $1.50 a ton; and—I am not quite sure of this—but I think the freight rate to Pittsburg is 85 cents, again, on coke. It is within 10 cents.

Mr. HILL. You mean to make a ton of iron?

Mr. SCHWAB. No; I mean that is for a ton of coke. Now, this is a thing I would also call your attention to. In the year I wrote that letter 1 ton of coke made 1 ton of pig iron, because the ores contained 58 per cent of iron. Last year it took 1¼ tons of coke to make 1 ton of pig iron, because the ore only contained 39 per cent of iron. Therefore, you must add one-fourth to the value——

Mr. HILL. That is, 52½, which would make $2.62 for the coke.

Mr. SCHWAB. If you will add that to the $8.50, you have $11.10, or something like that.

Mr. HILL. Then there is another item; there is labor.

Mr. SCHWAB. There is limestone. It costs 30 cents to mine limestone and $1.20 to take it to Pittsburg—$1.50. And you use about one-half a ton of lime to pig, making 75 cents for your lime for each ton of pig iron. The reason that more lime is used now than in that year is because the ores are leaner now. There is more waste material to flux away. I want to make this——

Mr. HILL. That makes $12.13 for your cost, eliminating your office force?

Mr. SCHWAB. No; there is another item to go in there yet; you have your labor and your conversion cost, which you can put now at about $1.25 or $1.30.

Mr. CRUMPACKER. What is the last item?

Mr. SCHWAB. The labor and charges other than material.

Mr. HILL. How much—$1.30?

Mr. SCHWAB. About $1.30. That is about the cost of making pig iron in Pittsburg to-day. And if you will add the general charges, the cost is about $14. I mean to make a ton of pig iron in Pittsburg.

Mr. CALDERHEAD. What do you include in general charges?

Mr. SCHWAB. General administrative expenses and similar items.

Mr. HILL. The taxes and insurance?

Mr. SCHWAB. No; the works' taxes have been included in the other.

Now, I would like to make one explanation. There are works and works. Some works can do a little better than other works. But what I have given you is the nearest average of one of the good works of Pittsburg. My assertion can well be borne out. If you have examined the papers recently, you know that nearly all the furnaces in the valley and about Pittsburg have been shut down this year because, as many of the operators told me, they could not afford to sell pig iron at $14 a ton. If you have noted, that has been about the market for pig. The pig will cost, for converting it into rails—I do not believe we can convert it from pig iron into rails, in our mill, for less than $7.50 a ton to-day.

The CHAIRMAN. Making a total cost of $21.50?

Mr. SCHWAB. About that; yes, sir.

The CHAIRMAN. $14 and $7.50——

Mr. HILL. One moment.

Mr. UNDERWOOD. $7.50?

Mr. DALZELL. You have made the pig iron cost $14 up to this time, adding the different items given.

Mr. SCHWAB. Yes, sir; and $7.50 for converting that into rails.

Mr. DALZELL. That would be $21.50?

Mr. SCHWAB. Yes; that is about the cost.

Mr. HILL. You gave us the cost of conversion nine years ago as being $3.75.

Mr. SCHWAB. Quite right; but I am telling you why it is so much more to-day.

Mr. COCKRAN. Let us have that, if you please.

Mr. SCHWAB. Yes. Let us take the question of loss first.

Mr. HILL. Your letter said your cost was going to decrease.

The CHAIRMAN. You said then that your cost was going to be less.

Mr. SCHWAB. Yes; my letter was very optimistic, and one sees things very different sometimes from what the realization is. Let me take the item of loss, Mr. Chairman. I can not give you the exact losses from memory, but they are approximately 10 per cent. Now, 10 per cent on $8 is 80 cents loss; I mean when you convert iron into steel. You lose the silica and the carbon, which go into the air. Eighty cents loss on that. Now, there is nothing that enters into that that has not increased almost proportionately. The freights on everything you use to convert your pig iron into steel—like ganisters, like refractories, like coke for melting—has gone up two-thirds in many instances.

Mr. COCKRAN. Did you say the freights?

Mr. SCHWAB. Yes; on all the materials for converting pig iron into steel. Labor has increased more than anything else.

Mr. HILL. In your statement just now, in making a ton of pig iron you have made a reduction of 38 cents in the cost for labor.

Mr. SCHWAB. Quite so. Now, I shall tell you why. The labor in making a ton of pig iron is not skilled labor at all. It is common labor. It has not changed, or at least changed very little; and, secondly, the appliances in making pig iron have changed very radically in that period of time, while the appliances for making rails have not changed materially.

The CHAIRMAN. What do you put down as the cost of labor in converting pig iron into steel?

Mr. SCHWAB. There are several methods, so I would have to give you the cost by each method.

Mr. UNDERWOOD. Will you give the cost by the Bessemer method first, and then follow that with the cost by the open-hearth method?

Mr. SCHWAB. I will, if you like; but I would prefer not to. I will tell you the cost of one.

Mr. COCKRAN. If you will give us the figures for both, we will make the comparison.

Mr. SCHWAB. I would prefer not to give you the figures for both.

Mr. DALZELL. How do you make your steel?

Mr. SCHWAB. By the open-hearth method.

Mr. DALZELL. Will you give us the figures for that, then?

Mr. SCHWAB. Yes. The labor cost in the open-hearth part of the process is about 85 cents a ton. In the blooming mill the cost is 40 or 50 cents, and the cost of the rails proper is from $1 to $1.25, depending on the section, drilling, and kind of rail. That is the actual labor at the mill. Of course, there is this to be borne in mind in analyzing the cost of a ton of rails—that there is nothing that enters into the cost of a ton of rails in its finality but raw material and labor.

Mr. CALDERHEAD. What do you mean by the expression "the kind of rail?"

Mr. SCHWAB. There are different sections and weights of rails. If a rail is 50 pounds to the yard, it costs more than a rail that runs 100 pounds to the yard.

Mr. HILL. You are speaking of the standard rail?

Mr. SCHWAB. Yes. Then, there are different kinds of specifications.

Mr. CALDERHEAD. Please make that a little plainer.

Mr. SCHWAB. I thought I had made that plain. When I say different kinds of rail I mean different specifications and different patterns and different weights.

Mr. FORDNEY. It costs you more per ton to make rails that run 35 pounds to the yard than to make rails that run 90 pounds?

Mr. SCHWAB. Yes.

Mr. CALDERHEAD. That is what I want.

Mr. SCHWAB. Yes. And then there are other things that also vary the cost.

The CHAIRMAN. Proceed with the remaining items of cost to make up this $7.50.

Mr. SCHWAB. Against that cost you will have to go through the same calculation as before.

Mr. UNDERWOOD. You have labor at 85 and other items here, which I figure out make a total of $3.65 for labor and losses.

Mr. SCHWAB. I will have to go further. The open hearth, put that at 80. It takes 100 tons of open-hearth ingots to make 80 tons of rails. So to arrive at the $7.50 we have to go through a long calculation of percentages that I think you will find pretty difficult.

Mr. UNDERWOOD. You have to add one-fifth of this labor cost, then.

Mr. SCHWAB. Quite so.

Mr. UNDERWOOD. The labor cost would be——

Mr. SCHWAB. You will have to do the same thing with every item that enters into it.

Mr. UNDERWOOD. We have to add 45 cents there.

Mr. SCHWAB. No; 16 cents on labor.

Mr. UNDERWOOD. You said you add one-fifth.

Mr. SCHWAB. One-fifth to 80 cents.

Mr. UNDERWOOD. Oh, that would make $3.81.

Mr. SCHWAB. Now, the other costs are made up of an infinte number of things. There is the refractories, there is manganese, there is fluxes, there is coal for cokes.

Mr. HILL. But a ton of iron does not make a ton of rails——

Mr. SCHWAB. That is an item of loss.

The CHAIRMAN. What is the manganese?

Mr. SCHWAB. The ferromanganese? That question depends on the specification of the rail. You can put it at 65 cents to 85 cents for manganese.

I do not want to give you these figures offhand and then have you add them up and find that they do not add up exactly $7.50, but you will find that they will approximate that.

Mr. HILL. Does this include the profit of $5 a ton?

Mr. SCHWAB. No.

Mr. HILL. As in the previous statement?

Mr. SCHWAB. No.

Mr. HILL. You say you will file with the committee an itemized statement of that cost of the open-hearth steel rail?

Mr. SCHWAB. Yes.

Mr. UNDERWOOD. I would like to have you do that.

Mr. SCHWAB. I will do that.

Mr. UNDERWOOD. If any bill that this Congress may pass goes out to the country and meets with the approval of the country, it has to have facts behind it.

Mr. SCHWAB. I propose to give you the facts. You can do with the tariff, of course, as you see fit.

The CHAIRMAN. I wish you would give us the items—the cost of pig iron, what you allow for waste, the cost of labor, the cost of manganese, the cost of fuel, the cost for steel, the cost for ore——

Mr. SCHWAB. Do you want me to give them to you as you read them off?

The CHAIRMAN. No.

Mr. SCHWAB. I can give them now; I can give every item of cost that enters into it.

The CHAIRMAN. And repairs, and maintenance, and supplies, and tools, miscellaneous and general expenses; the general expenses of the factory and depreciation.

Mr. SCHWAB. You will have to give me that list.

The CHAIRMAN. I will give it to you.

Mr. SCHWAB. Now, I would like to state this: There has probably not been two months in the last two years in any two mills when rails have cost the same each month. So I will give you a good average cost; not the low cost or the high cost, but a good average cost.

Mr. DALZELL. I think it would be well to give us a statement as to the same things when you wrote that letter in 1899, giving us the items as applying to that time.

Mr. SCHWAB. You mean in writing?

Mr. DALZELL. Yes.

Mr. SCHWAB. I should be very glad to do so.

The CHAIRMAN. Then I would like the details of making pig iron.

Mr. SCHWAB. I have given those.

Mr. CRUMPACKER. Do you know about the cost of manufacturing pig iron and rails in detail in England and other foreign countries?

Mr. SCHWAB. Not as much in detail as I do about the cost in this country.

Mr. CRUMPACKER. Do you know any of the elements of difference in cost and their significance?

Mr. SCHWAB. I am afraid you will have to be a little more specific.

Mr. CRUMPACKER. Well, do you know the comparative cost, as a general proposition, of making pig iron and rails in this country and in foreign countries?

Mr. SCHWAB. To-day?

Mr. CRUMPACKER. Including these years.

Mr. CALDERHEAD. Let him come to that later.

Mr. SCHWAB. I am quite familiar with the other.

Mr. CRUMPACKER. I suggest he put that in his statement.

Mr. SCHWAB. I will offer what I have already said as an explanation of that letter.

The CHAIRMAN. Now, you put the total cost of steel rails—have you got the figures there?

Mr. HILL. $20.93, I make it now.

Mr. SCHWAB. It ought to be in the neighborhood of $21.50. It will approximate $21.50.

The CHAIRMAN. Now, Mr. Schwab, how near is that to the average cost from 1902 down to the present time?

Mr. SCHWAB. I don't know; I would have to go through that. I couldn't give you that from memory. Suffice to say this, Mr. Chairman—let me say this: That in every year since 1900 up to date, in every year the average earnings of the employees of the steel corporation, while I was president, that the average earnings of my own employees have increased each year; there has never been one year that the average has not increased. I have not given the figures for this year yet——

The CHAIRMAN. Do you mean to say that the cost is higher for this year than for the average of the preceding years?

Mr. SCHWAB. I say I have not the figures for this year; this year has not ended yet. But up to this year the earnings of the employees in the steel works——

The CHAIRMAN. What year do you refer to when you speak of the cost as about $22.

Mr. SCHWAB. This year; the present time.

The CHAIRMAN. What I was trying to get you to do was to compare the present year with the six or eight years preceding this year.

Mr. SCHWAB. The real cost of making rails this year is the highest in ten years, because we have had so few rails to make. In my opinion rail makers will not have made any money on rails this year. That is the reason it is difficult to make a comparison in a year like the present.

The CHAIRMAN. This will answer the question. Do you mean to say that the average cost has not exceeded $21.50 for the 8 years preceding this year?

Mr. SCHWAB. For the eight years, I think it was less than that in 1900. I think the cost has gradually increased.

The CHAIRMAN. Each year?

Mr. SCHWAB. Each year.

Mr. CALDERHEAD. Why is that?

Mr. SCHWAB. Because everything that enters into the cost of rails has gradually increased in that time, and as I stated to you before, the average earnings of the workmen have increased every year since 1900. And so it is with freight.

The CHAIRMAN. Now, can you tell us the average price you have obtained——

Mr. SCHWAB. It has been $28, always.

The CHAIRMAN. That has been the uniform price?

Mr. SCHWAB. Yes, sir.

The CHAIRMAN. For how long?

Mr. SCHWAB. I can not recall.

The CHAIRMAN. For five or six years?

Mr. SCHWAB. More than that.

The CHAIRMAN. Ever since the organization of the United States Steel Corporation?

Mr. SCHWAB. No. And before.

The CHAIRMAN. Before?

Mr. SCHWAB. Yes; I can not tell the exact year, but I should say——

The CHAIRMAN. That has been the uniform price?

Mr. SCHWAB. Yes, sir.

The CHAIRMAN. Twenty-eight dollars a ton?

Mr. SCHWAB. Yes, sir.

Mr. CALDERHEAD. Notwithstanding the increase in wages?

Mr. SCHWAB. Notwithstanding that.

Mr. LONGWORTH. Was was the price in 1899?

Mr. SCHWAB. I can not recall, but I think $28.

Mr. HILL. You do not mean to say that the price of rails was $28 before the organization of the United States Steel Corporation?

Mr. SCHWAB. I do.

Mr. HILL. How long?

Mr. SCHWAB. I don't know.

Mr. HILL. Well, a year?

Mr. SCHWAB. Yes.

Mr. HILL. A year before?

Mr. SCHWAB. Have you the figures?

Mr. HILL. Yes. [Reading: "In 1897, $18.75; in 1898, $17.62; in 1899, $28.12."]

Mr. SCHWAB. That is right. But let me ask you to go back of that.

Mr. HILL. In 1896 the price was $28.

Mr. SCHWAB. That is the point I want to make. I will tell you the reason for that. In the year we made rails so cheaply we had, as you well know, a very great steel-rail war between all the manufacturers, and prices went the lowest in history.

Mr. COCKRAN. They were not sold at a loss during those years?

Mr. SCHWAB. I think they were by most manufacturers.

Mr. HILL. They would not be sold at a loss according to your figures?

Mr. SCHWAB. They were not sold at a loss to my companies; I stated that in my letter to Mr. Frick.

Mr. COCKRAN. So those figures read by Mr. Hill showed a profit to your concern?

Mr. SCHWAB. A very small profit. When I say $12 cost, that was mill cost.

Mr. COCKRAN. That was in 1899?

Mr. SCHWAB. Yes, sir. Oh, we made a profit. I said we made a profit.

Mr. COCKRAN. You say a very small profit. Now, you sold them at how much—$18, was it, Mr. Hill, in 1899?

Mr. HILL. That was the generally quoted price. In 1899 they were $28.12. In 1898 they were $17.62.

Mr. COCKRAN. Seventeen dollars and sixty-two cents?

Mr. HILL. In 1897 they were $18.75.

Mr. COCKRAN. You charged $28, then, at the time they cost you $12, and you are charging $28 now, and now they cost you $21?

Mr. SCHWAB. That is right. That is absolutely correct. Now, I want to say something about that cost that Mr. Hill has of $17.62. It is probably the average selling price of rails that year. You want to know why we made a small profit. I said we; I mean the Carnegie Co. The most of the rails we sold that year were sold delivered at Chicago at $17.12, and we had to pay the freight to Chicago and didn't have much profit.

Mr. SCHWAB. There is one explanation that I would like to make there. It is not an explanation, but a statement. When I said Mr. Frick was anxious to dispose of the Carnegie Co., it was not to dispose of it to the people who finally bought it, but to dispose of it to another interest whose names, I think, have not been mentioned in any of these matters.

Mr. YOUNG. In the 10-year period from 1890 to 1900, there were a number of years of very great depression in the iron and steel business?

Mr. SCHWAB. Very great.

Mr. YOUNG. And also in other businesses?

Mr. SCHWAB. Yes.

Mr. YOUNG. This, I suppose, reacted upon the iron and steel business?

Mr. SCHWAB. Yes.

Mr. YOUNG. You stated in your testimony this morning that the principal reason which influenced your mind in organizing or taking the part you did in the organizing of the Steel Corporation was the reduction of the cost of production?

Mr. SCHWAB. Quite so.

Mr. YOUNG. In working out in practice, has that reduction occurred?

Mr. SCHWAB. It has been more than verified. We have made greater economies than were then believed possible at that time.

Mr. YOUNG. Have the increased profits arising from this source been shared with the public? Are the prices lower to them in consequence of these economies?

Mr. SCHWAB. No; I will not say that, because while we have effected economies in certain directions by organizing, the costs in other directions have very much increased, as I have explained.

Mr. YOUNG. That is not exactly what I meant. In your judgment are the prices to the public lower than they would have been if these economies had not taken place?

Mr. SCHWAB. Relatively so, relatively so.

Mr. YOUNG. You have been actively engaged in the iron and steel business since 1880?

Mr. SCHWAB. Yes.

Mr. YOUNG. During a large portion of that time you have been closely identified with the marketing of the products?

Mr. SCHWAB. The marketing?

Mr. YOUNG. Yes.

Mr. SCHWAB. Somewhat; yes. But not to the extent that I have been with the manufacturing.

Mr. YOUNG. Taking out the years between 1890 and 1900 when abnormal conditions prevailed, what would you say as to whether the price of steel products since the organization of the Steel Corporation have been higher or lower?

Mr. SCHWAB. They have been much lower.

Mr. YOUNG. Than they were in the period previous?

Mr. SCHWAB. Quite so; excepting that abnormal period starting with 1893.

Mr. YOUNG. So it is a matter of fact, is it not, that taking that term of years together, the course of the market in steel products has been seadily downward?

Mr. SCHWAB. There is no doubt of that—relatively speaking, also.

Mr. YOUNG. Last evening at the close of our hearing the chairman of the committee read into our proceedings an article copied from a German newspaper relative to the so-called "Brussels conference" in which the statement was made——

The CHAIRMAN. I will say for the information of Mr. Schwab that it was the "Ironmonger."

Mr. SCHWAB. That is an English publication.

Mr. YOUNG. The article came from a German paper and was copied into the Ironmonger.

Mr. SCHWAB. Yes.

Mr. YOUNG. In which the statement was made, in effect—I am not attempting to quote the words—that the gentleman who attended this conference were practical men; that they did no go over there to discuss sociological and labor questions; that the real purpose was to discuss the question of prices and the division of territory; that meetings took place upon that subject, but that those meetings were secret. Now, I understand you to state that you were present at that conference?

Mr. SCHWAB. At all the meetings.

Mr. YOUNG. And I would like to know whether that statement is true in whole or in part?

Mr. SCHWAB. I was present at every meeting of the full attendance and at every meeting of committees, and I want to assure you that in no meeting or at any time was the question of price or the division of business ever mentioned.

Mr. YOUNG. It was further stated in this article that the Americans, as they were called—the American members—came over there with written agreements already prepared in their pockets for fixing prices and dividing territory.

Mr. SCHWAB. That is equally false. It is absolutely untrue.

Mr. YOUNG. Did you hear any suggestion of anything of that kind?

Mr. SCHWAB. Not a word. As I tell you, frankly, at all of the meetings and at all times I never heard the word "prices" or division of business mentioned; and to tell the truth of the matter, it seemed to me that we went over there to have a good social time rather than anything else.

Mr. LINDABURY. And you had it?

Mr. SCHWAB. Yes; we had it.

The CHAIRMAN. Did it not strike you that that was a good long ways to go from New York to have a good time?

Mr. SCHWAB. Well, there are conditions that sometimes make it necessary. [Laughter.]

The CHAIRMAN. The Chair will not pursue that inquiry any further.

Mr. SCHWAB. I do not mind making an agreement with the honorable Chairman.

Mr. BARTLETT. Everybody knew what they went there for, did they not?

Mr. SCHWAB. I did not. [Laughter.]

Mr. BARTLETT. You lost your head before you got there. [Laughter.]

Mr. YOUNG. Just one other subject. You referred to these Cuban ores.

Mr. SCHWAB. Yes.

Mr. YOUNG. And to the holdings of your company?

Mr. SCHWAB. Yes.

Mr. YOUNG. What is the extent of these deposits in Cuba, not those alone owned by your company, but the total deposits, so far as known to this day?

Mr. SCHWAB. I can only reply by quoting from a previous statement made public about the matter, that in my opinion there is more ore known in Cuba to-day than is at present developed in the entire Mesaba Range.

Mr. YOUNG. This can be delivered on the Atlantic seaboard and as far west as Bethlehem very much cheaper than the Lake Superior ores?

Mr. SCHWAB. Yes; it can.

Mr. YOUNG. Is the process of treating soft ores now a success?

Mr. SCHWAB. Well, practically it is. There are some developments that will probably better the conditions of treatment; but it is being successfully treated now.

Mr. YOUNG. In your judgment, when these ores are fully developed and the process perfected and lines of transportation fully established, can that ore go as far west as Pittsburg and meet the Lake Superior ores in even competition?

Mr. SCHWAB. It is possible; it is possible, but not likely.

Mr. YOUNG. But it would go very near to the Pittsburg district?

Mr. SCHWAB. Yes; it would.

Mr. YOUNG. And have an advantage?

Mr. SCHWAB. It is not a rich ore; and therefore transportation per ton is most important.

Mr. YOUNG. There is a good deal of moisture in it?

Mr. SCHWAB. Yes.

Mr. YOUNG. And when it is dried out the percentage runs up?

Mr. SCHWAB. Forty-two per cent.

Mr. BARTLETT. Forty-two per cent dry?

Mr. SCHWAB. Forty-two per cent dry.

Mr. YOUNG. That ore also contains a certain amount of nickel, does it not?

Mr. SCHWAB. It does.

Mr. YOUNG. What effect does that have on its value?

Mr. SCHWAB. Well, it adds somewhat to the quality of the steel for certain purposes.

Mr. YOUNG. For rails?

Mr. SCHWAB. Rails, for example, and structural steel, for example.

Mr. YOUNG. A rail made from that ore is a superior rail to that made from an ore which does not carry any nickel, other things being equal?

Mr. SCHWAB. We have not proven it as yet, but it is the consensus of opinion that it will be.

Mr. YOUNG. What does that superiority consist in?

Mr. SCHWAB. In the presence of the nickel.

Mr. YOUNG. But what does the superiority in the rail consist in?

Mr. SCHWAB. Better wearing quality and less liability to break.

Mr. YOUNG. I think that is all.

Mr. STERLING. Just a question or two, Mr. Chairman.

The CHAIRMAN. Proceed.

Mr. STERLING. You stated before lunch, Mr. Schwab, that you thought that steel rails could be made just as cheaply in this country as in Germany, France, or England?

Mr. SCHWAB. All other conditions being equal. That is what I stated.

Mr. STERLING. I understood you to say they could be made in this country as cheaply as there.

Mr. SCHWAB. Yes; that is true.

Mr. STERLING. Notwithstanding that transportation was higher here?

Mr. SCHWAB. Quite true.

Mr. STERLING. And wages higher here?

Mr. SCHWAB. Yes; quite true. That is true.

Mr. STERLING. What other conditions do you put in there as being equal?

Mr. SCHWAB. I confused your question with the one that came up during the discussion of the tariff before luncheon, when I stated to you that with equal conditions of labor as compared with Europe we did not care whether we had a tariff or not.

Mr. STERLING. I want to understand you. I am sure you stated clearly, although you may not have intended to do so, that notwithstanding lower wages in those countries and cheaper transportation we could manufacture rails here as cheaply as they could there.

Mr. SCHWAB. Quite so.

Mr. STERLING. That is true, is it?

Mr. SCHWAB. Yes; but the conditions are these: There is no country in Europe that makes rails that does not have a tariff that is very much higher than ours.

Mr. STERLING. I can not conceive how their tariff has anything to do with the tariff that we may put on rails, except in retaliation.

Mr. SCHWAB. It would enable them to sell in America and not enable us to sell in their country. That is the difference.

Mr. STERLING. I am a protectionist.

Mr. SCHWAB. Yes.

Mr. STERLING. I believe thoroughly that the duty ought to measure the difference in the cost of production.

Mr. SCHWAB. Yes.

Mr. STERLING. That is the Republican doctrine; and if you are correct there is no justification on earth for any tariff on these rails.

Mr. SCHWAB. Let me tell you. When you asked whether we made a rail to-day as cheap as they did there, I said that I thought that we did; but does it not occur to you that with equal conditions it is possible for them in Germany to do just the same as we are doing here in reference to machinery, output, etc.? Therefore the conditions then would not be equal. The point is that I said: With equal conditions as they exist to-day.

Mr. STERLING. With equal conditions, excepting that you conceded them cheaper labor and cheaper transportation.

Mr. SCHWAB. Yes; and to-day we can make rails just as cheap as they can. But suppose they duplicated our plants and methods, and they also had this cheaper labor and transportation. Then, of course, they could beat us.

Mr. STERLING. Have they done that?

Mr. SCHWAB. No, sir; they have not done it.

Mr. STERLING. Will they be any more likely to do it in case we remove the duty on steel?

Mr. SCHWAB. Yes; because it would give them a larger output, which would enable them to do it. If Germany could ship another million tons of rails into the United States, it would enable them to devise the same mechanical appliances and methods for cheap production of steel rails that we have to-day—that they are not justified in doing with their present demand.

Mr. STERLING. I do not think that clears the situation.

Mr. SCHWAB. For example, I suppose the largest rail mill in Germany to-day will make 500 tons a day. Our mill at Gary will make 3,000 tons a day. Germany can not duplicate a mill like the mill at Gary until they get a market or a demand that will justify such production. See?

Mr. STERLING. But notwithstanding that, with their inferior machinery and inferior plants they are producing steel rails just as cheaply as they are at Gary?

Mr. SCHWAB. Yes. That is because their labor is so much cheaper than it is in Gary to-day.

The CHAIRMAN. Would you mind telling me the percentage of foreign labor at Gary?

Mr. SCHWAB. I do not know.

The CHAIRMAN. Is there not at least 80 per cent of foreign labor, all told?

Mr. SCHWAB. I should say that the percentage at Gary was very large, but I have no definite knowledge on the subject.

The CHAIRMAN. They are making the rails with foreign labor at both places, except that you have a very small squad of high-salaried officers. Is not that true?

Mr. SCHWAB. No; hardly.

The CHAIRMAN. They are 10 or 15 per cent. That is all.

Mr. SCHWAB. Of skilled labor?

The CHAIRMAN. You have the same kind of people at Gary as they have in Germany and other places?

Mr. SCHWAB. No. I think the percentage of skilled men would be higher than that—of skilled and high-priced men.

The CHAIRMAN. I am informed that it is 20 per cent. If I am incorrect, please correct me.

Mr. GARY. I think that is a mistake. I think it is higher.

The CHAIRMAN. If that is the case we are practically making rails with the same people at both places, if my information is correct.

Mr. SCHWAB. I can not say that. The work that the foreign labor performs is just the cheaper labor.

The CHAIRMAN. There is no duty on those fellows?

Mr. SCHWAB. No.

The CHAIRMAN. They come over here and go back, do they not, at will?

Mr. SCHWAB. Yes.

The CHAIRMAN. They do not stop any of them at the port and make them pay two or three or five dollars a ton before you can let them come in?

Mr. SCHWAB. No; I think not; but do not forget——

The CHAIRMAN. Excuse the interruption.

Mr. SCHWAB. Do not forget that when he comes to this country he gets American wages. He gets the American standard of wages.

Mr. STERLING. Well, what does the German laborer get in the German steel mills?

Mr. SCHWAB. From 75 cents to $1 a day.

Mr. STERLING. And when here he gets a dollar and a half a day?

Mr. SCHWAB. Oh, no. The lowest?

Mr. STERLING. Yes.

Mr. SCHWAB. Yes; the lowest; he gets double.

Mr. STERLING. Would you mind stating at what you can make a ton of steel rails laid down in your mills, without any question of the transportation of the rails?

Mr. SCHWAB. You will find that set forth in that book in detail.

Mr. STERLING. What does the book say?

Mr. SCHWAB. The book has not taken any mill, but it has taken a mill.

Mr. STERLING. Well, your mill.

Mr. SCHWAB. Well, I wouldn't tell you that.

Mr. STERLING. What does it say about mills in general?

Mr. SCHWAB. You will find in that book it says a mill can make steel rails for about $21 a ton.

Mr. BARTLETT. You mean your evidence before the Committee on Corporations?

Mr. SCHWAB. Yes.

Mr. STERLING. A German mill or your mill can lay a ton of rails down at the mill at the same price?

Mr. SCHWAB. About the same price; yes.

Mr. STERLING. You have still got the advantage in the American market of having a near market, while they have to pay transportation?

Mr. SCHWAB. Yes, sir.

Mr. STERLING. Do you think that is protection enough?

Mr. SCHWAB. No; the steel industry is peculiar in this, that the investment is very large for the business turned over. In many businesses it is thought a good commercial business if they can turn their capital stock over every six months. The modern rail mill will not turn its stock over only once every two years. The investment is very great in the business, and you must have an apparently large return on rails, because, first of all, to make rails at $21.50 or $22 a ton you take no profits on your mining, and you take no profits on your limestone operation; you take no profits on your coke making, but you accrue all these profits to your finished output. Now, if you take, as you would be justly entitled to, a profit on your ore, if you take a profit on your coke, if you take a profit on your limestone, if you take a profit on each of those operations, you would find, if they were conducted as separate businesses, when you came to take your profit on rails the cost would not be the difference between $21.50 and $28, but the difference between $26 or $27 and $28.

Mr. STERLING. I see your point on that, but those same facts must be applied to the production of steel rails in Germany or England just the same?

Mr. SCHWAB. Quite so; but I thought you were referring to what you term an "initial profit."

Mr. STERLING. No, I have not any reference to that at all.

Mr. SCHWAB. No.

Mr. STERLING. I am trying to get at the necsessity of the protective tariff on steel rails under such a statement as you made here. Now, they can make a ton of steel rails the same as you can?

Mr. SCHWAB. The purpose of the protective tariff, or one purpose, must be to give the American manufacturer an equal opportunity in the American market with the foreigner. That is the only purpose—to preserve the home market to the American laborer and to the American capital.

Mr. SCHWAB. Quite so.

Mr. STERLING. Now you can manufacture a ton of steel rails just as cheap as the German or English manufacturer can produce them, and still you have got the advantage of them that they must be transported from a foreign country into our market.

Mr. SCHWAB. But if you realize that the transportation from Germany to our coast is, as a rule, less than the transportation from Pittsburg to our coast——

Mr. STERLING. Well, it would not be less from Germany to Chicago than it would be from Pittsburg to Chicago?

Mr. SCHWAB. No; quite so. But it is less as a matter of fact from Rotterdam to New York, than it is from Pittsburg to New York.

Mr. STERLING. That might be all right if the rails were needed in New York. But supposing they were laying a new railroad in Texas, or west of the Missouri River?

Mr. SCHWAB. Then we are worse off, because it costs them very little more to get to the Gulf of Mexico, while it costs us very much more to get to the Gulf of Mexico. The best answer to that is this, that to-day the Germans can put their rails on the Pacific coast. That is the best practical answer.

Mr. STERLING. Can they put them on the Pacific coast at a less price than you can put them on the Pacific coast?

Mr. SCHWAB. Yes; they can.

Mr. STERLING. Do you say that transportation, as a general proposition, is cheaper from Rotterdam——

Mr. SCHWAB. To San Francisco than from our mill in Pittsburg.

Mr. STERLING. What would you say to points generally throughout the country?

Mr. SCHWAB. That is a broad question, I could not answer that.

Mr. STERLING. What would you say as to Chicago?

Mr. SCHWAB. Of course Chicago is an interior point.

Mr. STERLING. What do you say as to New Orleans?

Mr. SCHWAB. I think they can put them at New Orleans cheaper than we can for transportation.

Mr. STERLING. If that be true—and I have no doubt you know, and I do not—if that be true, it seems to me, then, that under the Republican doctrine the only tariff you need on steel rails is the difference between cost of transportation from Rotterdam mills or European mills to our country and the cost of transportation from American mills for American consumption, and that gives the American mill a fine chance in the American market.

Mr. SCHWAB. I don't want to argue the tariff question with you, but I can not see what disadvantage results to the American manufacturers from a good, liberal protection on their products.

Mr. STERLING. I do not, either, and I thoroughly believe in protection where it is needed. I think it is the amount of the difference in the cost of production.

Mr. SCHWAB. I think it is a mistake to have the tariff so low that foreign countries can go even into our Pacific coast. That is not the practice of the Germans, who have been very successful, and who have put a tariff on steel rails, as I recall, of nearly three times as great as our own. Nor is it the practice of France, nor is it the practice of Austria or Italy, or any country in the world that I know excepting England.

Mr. STERLING. I think so, too. I think the men who make rails in this country ought to produce the rails for the Pacific coast and for all parts of the country.

Mr. SCHWAB. Certainly.

Mr. STERLING. But the consumer says that all you are entitled to is a tariff that will measure the difference in the cost of production. Now, the cost of production is just the same.

Mr. SCHWAB. Pardon me, but I have not heard that argument from any producer; I have never heard that argument.

Mr. STERLING. I said the consumer.

Mr. SCHWAB. I mean consumer. I have never heard that argument from a consumer.

Mr. STERLING. It is a pretty common argument out my way as to all products; I do not know as to steel rails.

Mr. SCHWAB. I only know about steel rails, and I have never heard that from any producer.

Mr. STERLING. Well, you realize, I should think, the statement you have made to-day will have a great influence on my judgment in determining the tariff on steel rails when that question comes before Congress?

Mr. SCHWAB. Yes.

Mr. STERLING. A great influence, and I am simply asking you these questions to get at the facts.

Mr. SCHWAB. Certainly.

Mr. STERLING. Because I accept what you say as an authority on the production of steel rails.

Mr. SCHWAB. Yes.

Mr. STERLING. And you say, now, they can produce them in both countries at practically the same price.

Mr. SCHWAB. Yes. And you put Germany in the position to produce the quantity of rails we do, and with her labor conditions she will produce them cheaper than we will produce them.

Mr. STERLING. Suppose we take away our protection——

Mr. SCHWAB. Yes.

Mr. STERLING. You are producing them at the same price?

Mr. SCHWAB. What?

Mr. STERLING. At the same price now. Germany may be willing to take a little less profit than American producers and come in here and sell rails at less than $28 a ton, and what could you do?

Mr. SCHWAB. We would have to lower to meet them.

Mr. STERLING. And you would have to sell them for less, too, wouldn't you?

Mr. SCHWAB. Certainly; but don't you think it is better for the great manufacturers of this country to make a reasonable and a good profit on their manufactured articles, because, then, all the people to whom they pay their cash for labor or transportation get a better return upon their capital?

Mr. STERLING. Absolutely. I believe in that doctrine thoroughly.

Mr. SCHWAB. That is my view.

Mr. STERLING. That is why I am a protectionist and always have been.

Mr. SCHWAB. I am also one to a greater extent.

Mr. STERLING. What is that?

Mr. SCHWAB. I am a protectionist, but probably to a greater extent.

Mr. BEALL. Let me ask a question, Mr. Schwab?

Mr. SCHWAB. Certainly.

Mr. BEALL. If the German came here and sold his steel rails for less than $28, you have stated that you would meet his price?

Mr. SCHWAB. Yes.

Mr. BEALL. You could meet a considerable reduction below $28 and still make some profit?

Mr. SCHWAB. Some profit; yes. That is well expressed.

Mr. BEALL. How far below $28 could you come and still make a profit?

Mr. SCHWAB. I think $28 is too low. I think rails ought to be higher than $28 a ton to-day to get a proper return upon the capital invested and the risk.

Mr. BEALL. Well, when you had the rail pool, you did not fix it above $28 then, did you?

Mr. SCHWAB. There were times we did so. I have sold rails at $60.

Mr. BEALL. You had it in your power in 1899 to put it above $28 when you fixed the price?

Mr. SCHWAB. Yes.

Mr. BEALL. And you thought $28 then was a fair price?

Mr. SCHWAB. Because we had been accustomed to $21 and $22 for several years.

Mr. BEALL. But in recent years you have been accustomed to the $28?

Mr. SCHWAB. Yes; and now we think that is too low.

Mr. BEALL. And that has stimulated your greed?

Mr. SCHWAB. Quite so.

Mr. BEALL. That is usually the case, I think.

Mr. SCHWAB. Yes.

Mr. BEALL. If you could have them at $30 a ton you would consider that a splendid price?

Mr. SCHWAB. I would consider it a fair price. As a matter of fact the Bethlehem Steel Co. has never sold a rail under $30 a ton.

Mr. BEALL. After you had had it at $30 a ton for three of four years you would be in favor of an increase?

Mr. SCHWAB. I think so.

Mr. BEALL. Can you suggest any limit which you think the greed of these manufacturers would go to if permitted free rein?

Mr. SCHWAB. Not if left to my imagination, I think.

Mr. BEALL. I think the only limit would be your imagination.

Mr. SCHWAB. That is all.

Mr. BEALL. Now, you said something awhile ago about that letter that you wrote in 1909?

Mr. SCHWAB. Yes.

Mr. BEALL. That was written in an optimistic vein.

Mr. SCHWAB. Yes.

Mr. BEALL. Now, did your optimism cause you to make any statements there that you will not now say is a fact?

Mr. SCHWAB. Absolutely not. I have several times said while you gentlemen have read the first chapter in that testimony, I doubt if you have read carefully the subsequent——

Mr. BEALL. Yes; I have read it all with very great interest.

Mr. SCHWAB. Well, you will find every detail of cost explained in that book.

Mr. BEALL. Now, I understand that in the letter when you are talking about the $12 a ton being the mill price at which you could make rails, you were counting in the cost of the ore at the price at which you paid for it?

Mr. SCHWAB. Exactly so.

Mr. BEALL. Now, since that time there has been a very marked increase in the price of ore.

Mr. SCHWAB. Quite so.

Mr. BEALL. The companies that were fortunate enough to buy the ore at that very greatly reduced price have a very great profit in it now?

Mr. SCHWAB. A very great profit and a great asset.

Mr. BEALL. Yes; a very great profit and a great asset.

Mr. SCHWAB. Quite true.

Mr. BEALL. Now, with the increased price of the ore, the cost is $21.50 and your selling price is $28, so on the face of it it looks like a profit of only $6.50 a ton.

Mr. SCHWAB. Yes.

Mr. BEALL. As a matter of fact, there is a very much greater profit than that.

Mr. SCHWAB. No.

Mr. BEALL. When you consider the profit on your ore.

Mr. SCHWAB. Oh, if you consider the profit on your ore; yes; the profit on your investment.

Mr. BEALL. The price you paid for the ore was the original investment?

Mr. SCHWAB. Yes. You might say the same of New York City, if you bought property in New York City 50 years ago, but I do not think the tax assessor would listen to your argument of assessing the land at the price at which you bought it.

Mr. BEALL. I understand that, but compared with the price which you paid for the ore originally, $6.50 does not represent the total amount of profit that you have on a ton of steel rails.

Mr. SCHWAB. The other is not a manufacturing profit. If you were buying the ore, as the Steel Corporation has recently done, we have paid a dollar a ton for the ore. That is not a fictitious value.

Mr. BEALL. Yes; but they bought great quantities of ores at a reduced price.

Mr. SCHWAB. Yes; but that is no reason why, because they bought cheaply that they ought to sell it cheaply. That is not a good argument.

Mr. BEALL. I am not arguing that question. I am getting at the actual profit over and above the actual cost in a ton of steel rails.

Mr. SCHWAB. Yes.

Mr. BEALL. How much would that difference in the two estimates as to the two values of ores add to that profit?

Mr. SCHWAB. I couldn't tell you that off hand.

Mr. BEALL. Could you approximately?

Mr. SCHWAB. No; I couldn't do so; I wouldn't risk doing so.

Mr. BEALL. Well, it represents a very considerable item?

Mr. SCHWAB. Yes; certainly.

Mr. BEALL. Now, I have here the Iron Ore Manual for the Lake Superior District for the year 1907, the Minnesota Tax Commission, and its valuation of iron ore by Ruckhard Hurd—you were talking about the price at which these ores were taxed.

Mr. SCHWAB. I said nothing about the price.

Mr. BEALL. I mean the property here in New York. The rendition of the tax assessor, class 1, partially developed and stripped about ready for shipping, 15 cents; class 2, not stripped and not fully developed, 10 cents.

Class 3, not stripped and only partially developed, 8 cents. That is is a classification for 1907.

The paragraph above it says, "Proceeding in the above outlined manner, the tax commission defined its classification and based the taxable value per ton of ore in the ground as follows:"

ACTIVE MINES.

	Cents.
Class 1. Inexpensive mining and high-grade ore	33
Class 2. Comparatively inexpensive mining and lower-grade ore	30
Class 3. Higher mining cost and mixed-grade ore	27
Class 4. Underground, low mining cost and high-grade ore	23
Class 5. Underground, higher mining cost and medium-grade ore	19
Class 6. Underground, high mining cost, excess rock and water	14

After due notice and a public hearing the tax commission placed a total assessed valuation of $186,720,026 on a total of 1,192,509,757 tons. In addition, the assessed valuation on 1,858 prospects and parcels of mineral lands was raised to $4,986,656. So it proves from this that in the Minnesota region, when they come to the assessment of these ore lands, why they do not put an exaggerated value on them.

Mr. SCHWAB. No; that is evident.

Mr. BEALL. Your company owns extensive ore holdings in this particular region?

Mr. SCHWAB. None whatever.

Mr. BEALL. None in this particular region?

Mr. SCHWAB. None whatever.

Mr. BEALL. In the Wisconsin region?

Mr. SCHWAB. None, whatever, in the Northwest.

Mr. BEALL. None in the Northwest?

Mr. SCHWAB. No.

Mr. BEALL. Those are the ores that, in your testimony this morning, you spoke of as being worth $1 a ton?

Mr. SCHWAB. I did.

Mr. BEALL. What do you pay for your Cuban ore?

Mr. SCHWAB. What do you mean—when we purchased them?

Mr. BEALL. Yes; at the time that you purchased them, what do you estimate they cost you a ton?

Mr. SCHWAB. That would be difficult to say; they are all undeveloped leases, and we took leases on them.

Mr. BEALL. Do you pay a royalty?

Mr. SCHWAB. We pay a royalty.

Mr. BEALL. What royalty do you pay?

Mr. SCHWAB. It would vary from 5 to 20 cents a ton.

Mr. BEALL. Five to twenty cents a ton?

Mr. SCHWAB. Yes.

Mr. BEALL. Those that you bought outright, what would be the price?

Mr. SCHWAB. I couldn't tell you, because we don't know the tonnage.

Mr. BEALL. Did you have at the time you made the purchase, an estimate of the tonnage?

Mr. SCHWAB. No; in those ores they are all surface ores and we don't go to the expense of drilling to find their depth. We do in a general way, but I have never reckoned what it would mean per ton.

Mr. BEALL. At the time you purchased them you thought you were buying them at a fair price, at a low price.

Mr. SCHWAB. We thought we were buying something very cheaply that other people didn't think were of any value. Those ores were before the country for 20 years. Personally I turned them down 20 years ago as being of no value.

Mr. BEALL. And subsequently to your purchase it has developed they are extremely valuable?

Mr. SCHWAB. Quite so; that is our opinion.

Mr. BEALL. You bring those ores to this country and manufacture them into steel.

Mr. SCHWAB. We will.

Mr. BEALL. And when you do, in estimating the cost of that steel you will put in the ores at the price at which you would have to pay now to secure a like quantity of ores?

Mr. SCHWAB. We do.

Mr. BEALL. And in that way there will be a very decided profit in the material.

Mr. SCHWAB. In the purchase of the ores?

Mr. BEALL. Yes.

Mr. SCHWAB. Undoubtedly.

Mr. STERLING. Are you using any of them now?

Mr. BEALL. To what extent are you using the Cuban ore?

Mr. SCHWAB. This new development, none.

Mr. BEALL. You speak of this new development. What do you mean by that?

Mr. SCHWAB. We have had ores from Cuba of different characters for 25 years.

Mr. BEALL. Have you been using them extensively?

Mr. SCHWAB. Yes.

Mr. BEALL. I understood you to say the Cuban ores are very extensive?

Mr. SCHWAB. Yes.

Mr. BEALL. What can you say in regard to the ownership of the Cuban ores at this time? Are they owned by a large number of people or a comparatively limited number?

Mr. SCHWAB. By a pretty large number of people.

Mr. BEALL. I don't know exactly that I would understand that. Are they owned largely by companies or corporations that are engaged in steel manufacture?

Mr. SCHWAB. Mostly owned by the Pennsylvania Steel and the Bethlehem Steel, but I could mention three or four steel companies that have interests there. The United States Steel Corporation have an interest there, the Eastern Steel Co., and quite a number; a great many individuals. But all the steel companies in the East have acquired or are acquiring an interest there.

Mr. BEALL. What is the extent of your holdings?

Mr. SCHWAB. I couldn't say.

Mr. BEALL. Do you have any knowledge of the extent of the holdings of these other companies?

Mr. SCHWAB. Yes; I should say that we had 500,000,000 tons.

Mr. BEALL. Considered with regard to the total amount of available ore there, what in your judgment would be a fair percentage of

that amount that is owned by the different steel-manufacturing plants in this country?

Mr. SCHWAB. Well, it would be a mere guess, but I should say it would be 60 or 70 per cent.

Mr. BEALL. Sixty or 70 per cent of the Cuban ore?

Mr. SCHWAB. Yes.

Mr. BEALL. You spoke this morning about some ores on the western coast of South America.

Mr. SCHWAB. The western coast of Mexico.

Mr. BEALL. The western coast of Mexico. To what extent, if any, have those ores been developed?

Mr. SCHWAB. None at all. Transportation made them impossible of use.

Mr. BEALL. Do you know whether they have been purchased by anybody who is holding them now?

Mr. SCHWAB. I don't know.

Mr. BEALL. So far as your knowledge goes they are not?

Mr. SCHWAB. No.

Mr. BEALL. You mentioned awhile ago about this proposed sale of the Carnegie Steel Co. by Mr. Frick to somebody?

Mr. SCHWAB. Yes.

Mr. BEALL. Whose name has not been given yet?

Mr. SCHWAB. Yes.

Mr. BEALL. Would you object to giving that name? That is ancient history now.

Mr. SCHWAB. Yes; I do object. It is not a matter of great importance. Suffice it to say it was not a connection of the Steel Corporation or the people who organized the Steel Corporation.

Mr. BEALL. Was it some company now engaged in the steel business?

Mr. SCHWAB. I prefer not to say anything more about it than that.

Mr. BEALL. Was it somebody then engaged in the steel business?

Mr. SCHWAB. I am sure you could not induce me to say more than I have said.

Mr. BEALL. Well, that would not give us very definite information as to who it was.

Mr. SCHWAB. No; nor I don't intend to give it.

Mr. BEALL. Well, what reason have you for not wanting to.

Mr. SCHWAB. Why, it is purely a personal and private matter.

Mr. BEALL. Now, in talking a little while ago about Germans and others who are engaged in the manufacture of steel products, I understand that you couldn't sell your products in Germany.

Mr. SCHWAB. None at all.

Mr. BEALL. One reason would be the very high tariff.

Mr. SCHWAB. Quite so.

Mr. BEALL. That the Germans imposed?

Mr. SCHWAB. Yes.

Mr. BEALL. The second reason would be the high cost of transportation?

Mr. SCHWAB. Yes.

Mr. BEALL. If you produced steel as cheaply as the Germans, they can't come into this market very extensively, can they?

Mr. SCHWAB. Not if we have a reasonable tariff.

Mr. BEALL. Well, even without a tariff they can't come into the territory where you have the advantage of transportation rates.

Mr. SCHWAB. They couldn't come into this territory—if they came into this territory we would be obliged to meet their prices.

Mr. BEALL. Yes.

Mr. SCHWAB. That would mean we would have to sell our steel at a much lower price than we do to-day to meet it.

Mr. BEALL. That would be a hardship on the steel manufacturer.

Mr. SCHWAB. It is unquestionable.

Mr. BEALL. But it would be a considerable advantage to the consumer.

Mr. SCHWAB. I think quite the reverse, my dear friend. I think the lowering of the price of steel means the lowering of everything, like labor and transportation, that goes into those things. I think it is a great mistake not to enable the manufacturers of this country to get a liberal profit on their manufactured articles, because in that way the general community who are the purchasers of their steel will reap an equal benefit.

Mr. BEALL. Well, has not the basis for the claim of a protective tariff for the steel products been that it can be produced in foreign countries cheaper than it has been produced here?

Mr. SCHWAB. I have not used that argument.

Mr. BEALL. Well, it is an argument that is very generally used?

Mr. SCHWAB. Yes.

Mr. BEALL. You do not believe in that argument, then?

Mr. SCHWAB. Yes; I do in a way. I have endeavored to explain it to the judge—that while we have much higher labor here than they have in Germany, we can still manufacture about as cheaply as they can, but if they were to double their tonnage by additional export business they could adopt the same methods we do, and with their cheaper labor manufacture cheaper than we can.

Mr. BEALL. Then as I understand it your chief basis for wanting the high protective duties is to anticipate an improvement in the conditions in foreign countries or, rather, to prevent the foreign manufacturer from so developing and so improving his business as to be able to compete with you here.

Mr. SCHWAB. Not at all. My reason for the high tariff is that the manufacturer should have a proper return upon his capital.

Mr. BEALL. Of course.

Mr. SCHWAB. And be liable to sell his steel at a price that would give him a proper return on his capital and be able to pay his wages and expenses of transportation and give them a fair return on their capital.

Mr. BEALL. In other words, to bring it down to a nutshell, your desire for a protective tariff is to swell the profits of the manufacturer of steel?

Mr. SCHWAB. That is not fair to say that. I have not said that. That is unquestionably one of the motives.

Mr. BEALL. Is not that the chief motive?

Mr. SCHWAB. I don't know; it is hardly so. The best evidence that that is a wise policy is that it is one that has been adopted by the leading and successful manufacturing nations of the world. Now, England has not adopted that policy, and it is the only country whose product of manufacture has not increased in the last 30 years,

while Germany, who has followed it, has quadrupled in the same period; the United States has grown 25 fold in the same period, while England has stood stationary, and they have not adopted the policy that I speak of.

Mr. BEALL. Well, the same very marked growth in the United States can be found with regard to products that are not benefited by the same protective tariff during the last 25 years, can they not?

Mr. SCHWAB. Well, I don't know.

Mr. BEALL. The growth of the steel industry is not a peculiar growth in the United States during the last 25 years. Everything else has grown almost in proportion?

Mr. SCHWAB. Yes.

Mr. BEALL. The population has grown?

Mr. SCHWAB. But not with the same rapidity that steel has.

Mr. BEALL. Well, with a very marked rapidity?

Mr. SCHWAB. Yes.

Mr. BEALL. And agricultural products have grown?

Mr. SCHWAB. Yes.

Mr. BEALL. And everything else has shown a marked increase in the amount of production in the last 25 years. Now, let me see if I understand you. Considering only present conditions, you do not believe that a protective duty is necessary for the steel industry in order to counterbalance any advantage they have in the present production of steel?

Mr. SCHWAB. No; that is quite right.

Mr. BEALL. Now, we were talking a moment ago about Germany. You can not go into Germany, you say. You can go into France and compete with the Germans so far as the tariff is concerned.

Mr. SCHWAB. Quite so.

Mr. BEALL. But they would have the advantage of the transportation?

Mr. SCHWAB. You couldn't get into France at all; nor can Germany or any other country?

Mr. BEALL. But between you and Germany you are on an equal footing except on the question of transportation?

Mr. SCHWAB. Yes; but it is an equal footing of doing nothing.

Mr. BEALL. In Germany you are on an equal footing with France, and every other country in the world, so far as the tariff is concerned, and if any of them have any advantage, it is on transportation. Now, take any other part of the world where the transportation charges to the Germans or to the Frenchmen were as great as they are to you as a producer of steel, you are upon terms of equality with him there.

Mr. SCHWAB. Quite so.

Mr. BEALL. In South America you would have an advantage of him, would you not?

Mr. SCHWAB. No; we don't. They ship to South America much cheaper than we do.

Mr. BEALL. In Mexico,would you be on terms of equality with him?

Mr. SCHWAB. I can't speak definitely of Mexico. I haven't the data at hand.

Mr. BEALL. In Canada?

Mr. SCHWAB. No; I can't give you those without reference.

Mr. BEALL. In Russia?

Mr. SCHWAB. Oh, no; we couldn't compete in Russia.

Mr. BEALL. Well, they do ship American bridge material and American rails and American locomotives and various other products of American manufacture to Russia.

Mr. SCHWAB. They don't ship rails to Russia now. They did some years ago. Russia is now a very large manufacturer of rails, a very cheap manufacturer of rails. In fact, I think, I could say that the very cheapest rails made anywhere are made in Russia.

Mr. BEALL. Has it not been extensively advertised in this country that American manufacturers were selling locomotives and rails and bridge material and other kinds of steel products in Manchuria and other territories?

Mr. SCHWAB. That is true, when the Manchurian Railroad was built, those rails were made in America.

Mr. BEALL. How long ago was that?

Mr. SCHWAB. Ten or 12 years ago.

Mr. BEALL. Take the Chinese territory; how much advantage have they over you in freight?

Mr. SCHWAB. I couldn't tell you without reference. I don't know.

Mr. BEALL. Do you know, as a matter of fact, whether you are able to compete with them in China?

Mr. SCHWAB. I think we can.

Mr. BEALL. In Japan?

Mr. SCHWAB. Please understand, as I stated to you before, that I have not been an exporter of rails, and therefore am not familiar with the situation.

Mr. BEALL. I wanted your answer because I assumed you were more or less familiar.

Mr. SCHWAB. I am more or less, but I have not the details in my mind.

Mr. BEALL. Now, you were talking about wages being very much greater in this country than elsewhere?

Mr. SCHWAB. Yes.

Mr. BEALL. I thought you meant by that if you considered the per diem wage.

Mr. SCHWAB. Yes.

Mr. BEALL. It is very much greater in this country than in other countries.

Mr. SCHWAB. Quite true.

Mr. BEALL. Many other countries?

Mr. SCHWAB. Quite true.

Mr. BEALL. But now when you consider the productive capacity of an American workman as compared with the productive capacity of the workmen in the country that you had under consideration, is not the American wage on about a par with the foreign wage?

Mr. SCHWAB. Oh, no; Oh, certainly not; certainly not. The workmen of Europe are exceedingly skillful workmen, very skillful workmen, especially in specialty lines of high-grade work, and I doubt if we have any possible advantage of them in that particular in any part of this country.

Mr. BEALL. Well, I believe that you said that the foreigners come here and go into those steel plants and that they receive the American wages.

Mr. SCHWAB. That is right.

Mr. BEALL. Now, is it not a fact that bringing them here and giving them the employment, has had the effect of reducing the American wage below what it would have been if they had not been so employed.

Mr. SCHWAB. Oh, I think it would have been impossible for us to have secured sufficient American workmen to do this work without the aid we get from workmen from Europe. It would have been impossible to do the work or to get the workmen.

Mr. STERLING. At any price.

Mr. SCHWAB. Anywhere in the United States.

Mr. STERLING. At any price?

Mr. SCHWAB. Anywhere in the United States.

Mr. BEALL. And therefore whatever you were able to secure would have been at a higher wage than now because the demand would have been increased.

Mr. SCHWAB. If there were not the numbers of men no wage would increase the number.

Mr. RAND. You do not think that the law of supply and demand supplies the labor?

Mr. SCHWAB. It might ultimately, but it would have been at such an advanced rate that manufacture would not have been possible.

Mr. BEALL. Well, now, let us see if I understand you. Take a ton of steel products. Is the percentage that is represented in that ton of steel products made in the United States by the wages of labor any greater than the percentage in the ton of steel products that is made abroad?

Mr. SCHWAB. I can't speak with definite knowledge of what the proportion is abroad. I only know that in a general way and on the average in America the direct payment for labor is about a third of the cost.

Mr. BEALL. And you do not know what it is in foreign countries.

Mr. SCHWAB. No; I can not tell you; I do not know.

Mr. BEALL. Then how could you say a moment ago that the relative wages were very much greater in this country than it was in these other countries?

Mr. SCHWAB. How can I say that it is?

Mr. BEALL. Yes.

Mr. SCHWAB. Because it is. The same position and the same workman in this country is relatively very much higher than in Europe in the same work and under the same conditions. That is what I mean.

Mr. BEALL. Well, take a ton of steel products.

Mr. SCHWAB. Yes.

Mr. BEALL. Do you know whether the relative amount of cost that is in that ton of steel products that represents wages is any greater in this country than elsewhere?

Mr. SCHWAB. That is a different thing altogether, because I have no means of knowing their prices and conditions as compared with ours, without which I could not make the calculation, while I do know the wages per diem of the people there and here.

Mr. BEALL. We all know that—very much greater here than there.

Mr. SCHWAB. But unless I knew the prices I could not give you the information.

Mr. BEALL. I think that is all.

Mr. STERLING. Do England, Germany, and France have their own ore?

Mr. SCHWAB. No; not entirely.

Mr. STERLING. Where do they get their ore?

Mr. SCHWAB. Well, which country now?

Mr. STERLING. Any of them or all of them.

Mr. SCHWAB. Well, I would have to take them separately.

Mr. STERLING. All right.

Mr. SCHWAB. England gets part of her ore at home and part of it in Spain and some of it in Sweden. France gets most of her ore at home. Germany from Norway, Sweden, and Germany.

Mr. STERLING. Do Americans go there for ore?

Mr. SCHWAB. Sometimes; yes.

Mr. STERLING. Have you ever bought any ore there?

Mr. SCHWAB. I have.

Mr. STERLING. When was that?

Mr. SCHWAB. A few months ago.

Mr. STERLING. Where did you get your ore?

Mr. SCHWAB. From Sweden.

Mr. STERLING. What did that cost you?

Mr. SCHWAB. Well, I shouldn't like to say.

Mr. STERLING. I would like to know.

Mr. SCHWAB. I am sure there are a lot of people who would like to know.

Mr. STERLING. Well, you certainly got it there cheaper than you could get it in Cuba or you would not have gone there?

Mr. SCHWAB. There are other conditions.

The CHAIRMAN. Judge Sterling, I do not like to interrupt, but the ore you got in Sweden is the fine ore used in making tools, razors, and scientific instruments, and there is a very small amount of tool-steel ore that is not found anywhere else in the world.

Mr. SCHWAB. The chairman is exactly right. The ore that comes from Sweden is the highest quality of ore found anywhere in the world, and the ore production that comes from Bethlehem is of the kind of steel, and therefore was a matter not of cost so much as necessity.

Mr. STERLING. How much did you buy in Sweden?

Mr. SCHWAB. How much could I buy?

Mr. STERLING. How much did you?

Mr. SCHWAB. Well, a very large tonnage.

Mr. STERLING. That is very indefinite.

Mr. SCHWAB. Yes; but I don't care to make——

Mr. STERLING. One hundred million tons?

Mr. SCHWAB. Oh, no.

Mr. STERLING. Did you make rails of it?

Mr. SCHWAB. It was not bought with that intention, although we may.

Mr. STERLING. Those European countries that use ore from Sweden make rails of that fine quality of ore?

Mr. SCHWAB. They use it just as we do.

Mr. STERLING. Does it make any better quality of rails?

Mr. SCHWAB. We think it does.

Mr. LITTLETON. Mr. Schwab, I am going to ask about the character of this country and the reasons for it. Do you hold to the view that it is necessary to keep up the standard wage of the workmen in your steel industry?

Mr. SCHWAB. I think so, and to give them better wage; that their wage shall increase and has increased in the last 10 years.

Mr. LITTLETON. Is there any equitable way by which the increased price of rails arising from the tariff is distributed among the laborers?

Mr. SCHWAB. We did that in the Carnegie Co.

Mr. LITTLETON. I mean now.

Mr. SCHWAB. Well, I don't know. We have endeavored to work that out, but in view of the fact that the price of rails is practically a stationary figure and does not vary in price, there does not seem to be much reason for this variation; but in the old Carnegie Steel Co. we did just what you suggest. We paid our workmen dependent upon the price at which we sold our materials.

Mr. LITTLETON. Well, the point I am getting at—of course, this is absolutely certain under a rigid law—that you will be enabled to get an increased price arising from the fact that you have the tariff duty, and it is absolutely optional with the manufacturer as to whether he will distribute it, or the greater percentage of it, in the increase of wages.

Mr. SCHWAB. That is true.

Mr. LITTLETON. Now, there is no scientific method arrived at, I take it, by which that increase due to the tariff is distributed among the workmen?

Mr. SCHWAB. No; I do not know of any.

Mr. LITTLETON. You spoke of keeping up the price of the labor, of the wages. Is it the fact that the organization of labor, which followed rapidly the organization of capital, and followed it with great rapidity and great certainty, has had a great deal to do with the lifting up of the standard of wages and keeping them there?

Mr. SCHWAB. I do not think so.

Mr. LITTLETON. You think not?

Mr. SCHWAB. Well, the best illustration of that is in the Steel Corporation, whose wages have steadily increased, if I am correctly informed, in recent years, every year since its incorporation; and in the Steel Corporation there is a very small percentage of what you term "organized labor."

Mr. LITTLETON. What percentage of organized labor is employed there?

Mr. SCHWAB. I could not tell you now, but at the time I was connected with it there was not more than 10 per cent, or less.

Mr. LITTLETON. In reference to the keeping up of wages, is it not true that the building trades and trades that are not affected by protected articles and protected industries have kept their wages a little bit higher than those that are employed in protected industries?

Mr. SCHWAB. I do not know that that is true.

Mr. LITTLETON. You said that Germany had about three times the tariff on rails——

Mr. SCHWAB. That is an approximate figure.

Mr. LITTLETON. I am taking it roughly.

Mr. SCHWAB. Yes.

Mr. LITTLETON. A great deal higher tariff on rails than we do?

Mr. SCHWAB. Yes.

Mr. LITTLETON. What effect has that had upon keeping up the wages of the German workmen?

Mr. SCHWAB. I could not answer that question.

Mr. LITTLETON. Has it had any effect?

Mr. SCHWAB. I don't know; it is not within my knowledge.

Mr. LITTLETON. Well, has it increased their wages at all?

Mr. SCHWAB. I do not know; it is a subject on which I am not informed.

Mr. LITTLETON. You spoke about selling rails at $28 a ton. It is a subject on which I am not informed. When you speak of a $28 rail, you mean what is called a standard rail?

Mr. SCHWAB. Yes.

Mr. LITTLETON. Now, I do not know much about them, but there are numerous classes of rails less than the standard?

Mr. SCHWAB. No.

Mr. LITTLETON. There are not?

Mr. SCHWAB. No.

Mr. LITTLETON. Well, are there rails that sell cheaper than $28 a ton?

Mr. SCHWAB. No; that is the lowest basis of rails.

Mr. LITTLETON. Is that the highest?

Mr. SCHWAB. No; by no means. I sold 30,000 tons of rails last year, all of special quality, at about $55 a ton.

Mr. LITTLETON. That was a particular quality?

Mr. SCHWAB. That was a particular quality; and it is my opinion—I have urged railroads in the last 10 years to buy a higher quality of steel rails, and I tell you personally that the Bethlehem Steel Co. has never sold a rail under $30.

Mr. LITTLETON. Is that an open-hearth rail?

Mr. SCHWAB. That is an open-hearth rail; and many above $30.

Mr. LITTLETON. Do you know whether it is a fact the United States Steel Corporation has gone very largely into the steel tubing business?

Mr. SCHWAB. Well, they can inform you better than I can.

Mr. LITTLETON. They could not if they do not know any more.

Mr. SCHWAB. Well, that is not within my province. I would prefer not to speak about their affairs on which they can give you accurate knowledge.

Mr. LITTLETON. You think that the sole effect of the tariff on steel rails so far, as you say, is to prevent the extension of trade by German manufacturers, and in that way they would be enabled to get improved machinery, and with their cheaper labor ultimately undersell the production in this country?

Mr. SCHWAB. I do.

Mr. LITTLETON. That is the effect, as you view it?

Mr. SCHWAB. Exactly so.

Mr. LITTLETON. What is to prevent them getting this improved machinery, anyhow?

Mr. SCHWAB. They could not operate it with their present demand.

Mr. LITTLETON. You mean they would have to have an increased demand?

Mr. SCHWAB. Absolutely. You can not make an economical operation of a mill of 500 a day compared with one making 3,000. If they had a mill to make 3,000 a day, they could not economically make 500 in it.

Mr. LITTLETON. Suppose the tariff were taken off steel rails, as a supposition.

Mr. SCHWAB. Yes.

Mr. LITTLETON. And they came in and undersold the Steel Co., you would meet that price, you say?

Mr. SCHWAB. Yes.

Mr. LITTLETON. Let us see where that would lead us to.

Mr. SCHWAB. I will tell you the effect. The first thing we would have to do would be to sharpen our pencils and see where we could reduce costs.

Mr. LITTLETON. Where would you begin on that?

Mr. SCHWAB. You would begin on the mining of your ore.

Mr. LITTLETON. Begin on the labor end of it?

Mr. SCHWAB. There is nothing enters into the cost of any manufactured article but labor.

Mr. LITTLETON. I agree with you; but would you reduce the price of labor?

Mr. SCHWAB. You would have to, or not produce the steel.

Mr. LITTLETON. Or produce it at a less profit or a loss?

Mr. SCHWAB. Yes; which you are not likely to do for long.

Mr. LITTLETON. I suppose you would reduce salaries as well as wages.

Mr. SCHWAB. Oh, I have no doubt.

Mr. LINDABURY. Begin there.

Mr. LITTLETON. You would reduce the wages and that, of course, would bring some burden or considerable burden, as the case might be, to the laboring men in your employ?

Mr. SCHWAB. Certainly.

Mr. LITTLETON. That would be one thing.

Mr. SCHWAB. Not only those in our employ, but those in the employ of everybody who contributed anything to the manufacture of steel?

Mr. LITTLETON. In other words, it would ramify?

Mr. SCHWAB. Undoubtedly. In other words, if you endeavor to reduce the cost of steel to-day, there is nothing else you could reduce. There is nothing else goes out. You may reduce freights, but if you reduce freights the railroads would have to reduce their labor, so when you come to put the price of steel rails down and to figure, there is nothing else you can reduce.

Mr. LITTLETON. There is another effect on the other side of the world which we have not been considering at any great length to-day—that side of the world which ultimately has the burden or cost of all of the structure and construction work into which steel enters.

Mr. SCHWAB. Well, a railroad. Now, we have been talking about rails, and a railroad expenditure for rails as a rule is not more than from 2 to 3 per cent of their expenditure, while a steel company's expenditure for labor is 33⅓ per cent of all their direct expenditure, and therefore it is a matter of little importance to a railroad whether they pay $28 or $30 for rails, but it is a matter of great importance to the steel company who have to pay 33⅓ per cent for labor.

Mr. LITTLETON. Then that would not reduce their expenditure?

Mr. SCHWAB. Rails I am speaking of, not rates.

Mr. LITTLETON. I say wages.

Mr. SCHWAB. If we want to reduce rates, that is a much more serious thing to the railroads.

Mr. LITTLETON. Take steel that enters into buildings.

Mr. SCHWAB. For example, roughly speaking, we pay the railroads contiguous to our property as much freight in a month as they pay us in a year for rails.

Mr. LITTLETON. What percentage of the steel products goes to the railroads?

Mr. SCHWAB. This is a mere guess also.

Mr. LITTLETON. Yes.

Mr. SCHWAB. I should say from 40 to 45 per cent.

Mr. LITTLETON. Is taken by the railroads?

Mr. SCHAWB. That is, indirectly and directly.

Mr. LITTLETON. Well, has the recent development or comparatively recent development of the use of steel so universally as a building material developed a large amount of steel business?

Mr. SCHWAB. Very much so. There is used about two and a half million tons of steel annually for structural work.

Mr. LITTLETON. Two and a half million tons?

Mr. SCHWAB. Yes.

Mr. STERLING. Is that your company or the country generally?

Mr. SCHWAB. No; the country generally. The United States uses about two and a half million tons of steel annually for structural work.

Mr. BARTLETT. Does that include bridge material?

Mr. SCHWAB. That is for bridges and structures; any kind of fabricated structures.

Mr. YOUNG. Do you not think, as a matter of fact, that wages is as much a commodity as anything else and that its price depends in the long run on the supply and demand and that when the supply is great wages will always be low and that when there is a scarcity of labor you will have to pay higher?

Mr. SCHWAB. Yes; that has an influence.

Mr. YOUNG. Now, right there, which policy is likely to produce the greatest demand for wages in this country, the policy that builds up industries here or the policy that tears down industries here in order to build them up in Europe?

Mr. SCHWAB. There is only one answer to that.

Mr. YOUNG. Then, is it a matter of option on your part whether the wage earner gets a portion of the benefits of the policy that builds up industries here? Are you not compelled to give it?

Mr. SCHWAB. We are; no question about that.

The CHAIRMAN. Mr. Schwab, speaking of that question of dividing with labor, I notice in your plate contract, where they agree to fix the price of plates, that each fellow was to get a fine of below $1,000 that cuts the price, and take down his forfeit; that contract inevitably recited in most emphatic terms that it was done for the sake of the wage earner.

Mr. SCHWAB. That is a very popular argument.

The CHAIRMAN. Now, I understand you, as you grow in prosperity and wealth you divide with the laborer as near as you can. For instance, you have a blast furnace, an old-fashioned fellow, take the ore up in wheelbarrows or hand concern. You used to have an army of men about a blast furnace, didn't you?

Mr. SCHWAB. That is quite true.

The CHAIRMAN. And as the number decreased with improvements in machinery, and instead of having 300 men to do the work, or 600 men to do the work, 500 men did it, then each man's labor became one-fifth more productive, did it not?

Mr. SCHWAB. No—oh, more productive?

The CHAIRMAN. Yes.

Mr. SCHWAB. Quite so.

The CHAIRMAN. And the cost of producing an article was at the same time decreased, was it not?

Mr. SCHWAB. Decreased?

The CHAIRMAN. Or you would not have installed the machinery?

Mr. SCHWAB. Yes.

The CHAIRMAN. You did that work more cheaply?

Mr. SCHWAB. That is true.

The CHAIRMAN. Then the laborer's wage would have been increased one-fifth, would it not?

Mr. SCHWAB. It would if you wanted to give the laborer all the advantage of your reduction.

The CHAIRMAN. Oh, you wouldn't?

Mr. SCHWAB. No.

The CHAIRMAN. So you decrease the cost by this improvement one-fifth, and the laborer's share you say was one-twentieth of the total cost of production that was reduced, then the laborer's increase in wage should have been one-fifth of one-twentieth, should it not?

Mr. SCHWAB. No; because you have to make allowances for your increased capital to obtain that result.

The CHAIRMAN. I am giving you the other nineteen-twentieths.

Mr. SCHWAB. Yes.

The CHAIRMAN. Do you want more than that?

Mr. SCHWAB. No. I think, as a broad proposition, you are correct, and I think that is about what has been done.

The CHAIRMAN. You manufacture in the State of Pennsylvania?

Mr. SCHWAB. Yes, sir.

The CHAIRMAN. You have there a secretary of internal affairs who makes annual statements of these things, does he not?

Mr. SCHWAB. I think so; I don't know; I am not sure.

The CHAIRMAN. It touches your business very largely. That is fairly accurate, is it not, that report of that commission?

Mr. SCHWAB. I do not know the extent of the report of which you speak. I do not know just what it is.

The CHAIRMAN. Do you not know you have in Pennsylvania a bureau for the purpose of comparing and carefully compiling statistics on this subject?

Mr. SCHWAB. Yes.

The CHAIRMAN. Their statistics are fairly accurate, are they not?

Mr. SCHWAB. I do not know; I didn't consult them.

The CHAIRMAN. Now, you say that since 1902, or in the last 10 or 12 years, that the cost of labor has increased?

Mr. SCHWAB. That the earnings per day of workmen has increased.

The CHAIRMAN. Well, put it that way.

Mr. SCHWAB. Yes.

The CHAIRMAN. The wage paid per day has increased?

Mr. SCHWAB. Yes.

The CHAIRMAN. If the productiveness of the labor does not exceed the increase in wage—I mean if the increase in wage does not exceed the increase in productiveness of the labor you are not hurt by that increase, are you?

Mr. SCHWAB. No; but as a matter of fact, under similar conditions the labor cost for a given article has increased proportionately to the daily earnings of men.

The CHAIRMAN. Do you think that is so in pig iron?

Mr. SCHWAB. I do.

The CHAIRMAN. Now, I want to read you this——

Mr. SCHWAB. Under similar conditions.

The CHAIRMAN. Yes; under similar conditions in the State of Pennsylvania.

Mr. SCHWAB. Yes.

The CHAIRMAN. Now, I call your attention to these figures in order that you may advise this commissioner of his gross error, because he differs so radically. I read you now from the Pennsylvania annual report of secretary of internal affairs for the years 1902 and 1909.

Mr. SCHWAB. Yes.

The CHAIRMAN. In 1909 there was in the State of Pennsylvania, in which your plant is located—it is entirely in Pennsylvania, is it not?

Mr. SCHWAB. Yes.

The CHAIRMAN. Gross tons of production. In 1902 there were 8,111,642. Is that about right?

Mr. SCHWAB. I suppose so, approximately.

The CHAIRMAN. In 1909 there were 10,721,024 tons.

Mr. SCHWAB. Yes.

The CHAIRMAN. Is that about right?

Mr. SCHWAB. I think so.

The CHAIRMAN. Realized value in 1902 was $126,857,231; in 1909, $186,963,842. The averaged realized value per ton in 1902 was $15.64. Is that right?

Mr. SCHWAB. The price received for pig iron?

The CHAIRMAN. The average realized value it is.

Mr. SCHWAB. Yes.

The CHAIRMAN. In 1909, $17.44. Is that right?

Mr. SCHWAB. Yes.

The CHAIRMAN. The value of basic material, ore and scrap-ore cinder only (fuel, limestone, and other expense not considered), in 1902, $61,634,972; in 1909, $89,144,483. The average cost of basic material per ton in 1902 was $7.60. Is that about right?

Mr. SCHWAB. I should think so.

The CHAIRMAN. And in 1909, $8.31?

Mr. SCHWAB. Yes.

The CHAIRMAN. The average number of days in operation in 1902 was 314 days; in 1909, 300 days?

Mr. SCHWAB. Yes.

The CHAIRMAN. The total number of workmen employed—I wish to call your attention to this, Judge—in Pennsylvania, according to this report, there were 17,101 workmen employed in 1902.

Mr. SCHWAB. Yes.

The CHAIRMAN. In making 8,111,642 tons of pig iron?

Mr. SCHWAB. Yes.

The CHAIRMAN. There were 14,921 men in 1909, working 300 days, to produce 10,721,024 tons of pig iron?

Mr. SCHWAB. That is right.

The CHAIRMAN. Against this 17,101 working 314 days in 1902. The aggregate wages paid those working in 1902 was $10,191,759; in 1909 it was $8,762,304. The average earnings for the year, for each man, in 1902 was $595.97. Is that about the right wage for that year?

Mr. SCHWAB. This is blast furnace; I could not tell you.

The CHAIRMAN. In 1909, for all the men engaged in the pig-iron industry in Pennsylvania it was $627.20?

Mr. SCHWAB. Yes.

The CHAIRMAN. The average daily wage in 1902 was $1.89. Is that about the rate for men working around pig iron?

Mr. SCHWAB. Yes; I think so.

The CHAIRMAN. In 1909 it was $2.09?

Mr. SCHWAB. Yes.

The CHAIRMAN. Is that about your average wage?

Mr. SCHWAB. I think so.

The CHAIRMAN. The cost of labor per ton, then, in 1902 was $1.25. Is that about right?

Mr. SCHWAB. Yes, sir.

The CHAIRMAN. And in 1909 it was 82 cents. Is that about right?

Mr. SCHWAB. I should imagine that was about right.

The CHAIRMAN. The tonnage per man per day, which you say is a true measure of the value of a man's work, in 1902, produced 1.51 tons of pig iron, and in 1909, 2.39 tons of pig iron. Is that about right?

Mr. SCHWAB. I should judge that was about right.

The CHAIRMAN. Then, in that event, your productiveness of labor has vastly exceeded the increase in cost of labor, has it not?

Mr. SCHWAB. The honorable commissioner has probably failed to note in that report that in 1902 you would built a blast furnace, such as was then in use, for about $800,000, while in 1909, the furnaces then in use would cost you over $2,000,000.

The CHAIRMAN. How much pig iron would you get in a day from an $800,000 furnace?

Mr. SCHWAB. I suppose the increase has been from 33 to 40 per cent by reason of that additional equipment of furnace, and while the cost of the wages has decreased, the cost of the upkeep of this elaborate equipment has very much increased.

The CHAIRMAN. I understand; but if you could produce pig iron more cheaply by building a great number of $800,000 furnaces, would you not do it and not build a $2,000,000 furnace?

Mr. SCHWAB. Yes; but you don't produce it cheaper.

The CHAIRMAN. You increase this size of the furnace with the increased cost because the total amount of pig iron produced by the big and expensive furnace was cheaper?

Mr. SCHWAB. Quite so.

The CHAIRMAN. The cost was cheaper?

Mr. SCHWAB. Yes; and here is another thing I would like to call your attention to in this matter, that the kind of labor required for the small furnace—that is, it was much more difficult work for the men with the small furnace than the men with the big furnace, and that therefore the wages would be probably higher per day for the man for the small furnace than for the big one.

Mr. STERLING. Because the work was harder?

Mr. SCHWAB. And therefore you had to pay more for it, whereas with the big furnace it was all mechanically done and anyone could do it.

Mr. STERLING. May I ask a question there, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. STERLING. You have been talking about the cost of production to-day in which you said labor amounts to about one-third of it?

Mr. SCHWAB. Yes.

Mr. STERLING. You mean by that the labor that is used directly in reducing pig iron to finished products or the ore to finished products or including all labor?

Mr. SCHWAB. All labor.

Mr. STERLING. From the tme that it was ore in the ground?

Mr. SCHWAB. All labor.

Mr. STERLING. Well, do you think that is enough for labor in reducing ore to the finished product?

Mr. SCHWAB. Well, that is a matter of opinion.

Mr. STERLING. I am not speaking now as to whether labor gets adequate pay, but is that a sufficient percentage? What is your ore worth in the ground?

Mr. SCHWAB. Well, that is a very long, elaborate calculation.

Mr. STERLING. Well, it is worth a dollar a ton, is it?

Mr. SCHWAB. Yes.

Mr. STERLING. The manufactured rail is worth $21 a ton?

Mr. SCHWAB. Quite right?

Mr. STERLING. Well, it is all labor, is it not, except the ore that lies in the ground?

Mr. SCHWAB. But not all direct labor. I said direct labor.

Mr. STERLING. Well, analyze it to its ultimate end, what is there in the $21 except the ore in the ground?

Mr. SCHWAB. Of course, there are other costs, but principally it is practically nothing but labor.

Mr. STERLING. What other costs would there be?

Mr. SCHWAB. Well, there are losses.

Mr. STERLING. What?

Mr. SCHWAB. I mean losses of material in conversion. But those are fixed and could not be changed.

Mr. STERLING. But it is practically all labor, except the raw material in the ground?

Mr. SCHWAB. But that is direct as well as indirect.

Mr. STERLING. I understand.

Mr. LITTLETON. Mr. Schwab, did you say you should be protected specifically to enable you to make a fair return on the capital?

Mr. SCHWAB. I did.

Mr. LITTLETON. I take it by that you mean the capital of the company, whatever company it is?

Mr. SCHWAB. Certainly.

Mr. LITTLETON. As expressed in its capital stock?

Mr. SCHWAB. Not necessarily. I am assuming that the capitalized stock expresses the proper value of the company.

Mr. LITTLE. It is a perfectly proper assumption, although not always safe?

Mr. SCHWAB. No.

Mr. LITTLETON. Suppose the Steel Corporation, which is capitalized, we will say, roughly, at $1,400,000,000——

Mr. SCHWAB. Yes.

Mr. LITTLETON. And suppose at the time of its capitalization it was estimated that the value of the property that was incorporated and taken in was $700,000,000——

Mr. SCHWAB. Yes.

Mr. LITTLETON. Then a fair profit for that would be the real value of it. The fair profit would be a fair profit on $700,000,000 instead of $1,400,000,000, would it not?

Mr. SCHWAB. If the $700,000,000 was correctly estimated, and if also a proper allowance was made for the good will, which is a very valuable asset in any business.

Mr. LITTLETON. Well, including in the capitalization the good will and a reasonable valuation of all the property?

Mr. SCHWAB. Yes.

Mr. LITTLETON. And subtrcting from it—or extracting woud be a better word—extracting from it what has come to be commonly known as the water that does get into a concern——

Mr. SCHWAB. Yes.

Mr. LITTLETON. It would depend a great deal as to whether you got a fair profit as to whether the corporation was one with an inflated capital or one with a fair capital?

Mr. SCHWAB. Undoubtedly.

Mr. LITTLETON. And if a concern organized and heavily capitalized were attempting to earn a fair income on that overcapitalization——

Mr. SCHWAB. Yes.

Mr. LITTLETON. I was saying the benefit of its protective feature, or the protection which it got in order to pay that dividend, would lessen to that extent its ability to pay the labor?

Mr. SCHWAB. Quite so.

Mr. LITTLETON. Therefore overcapitalization may be a very important matter of concern to those who seek the protection of the Government by way of a duty?

Mr. SCHWAB. Quite so; I agree with you.

Mr. LITTLETON. And by overcapitalization they may divert the protection allowed for the protection of the wage earner in another direction?

Mr. SCHWAB. Quite possibly. The entire assumption is quite possible.

The CHAIRMAN. We have had the expert of the committee figure out the increase of wages from these figures I read you, and I will read them to you and see if they are correct according to your idea. The wages increase during the period of seven or eight years was from $1.89 to $2.09, giving an increase of 20 cents a day. The increase from $1.51 to $2.39——

Mr. SCHWAB. The increase in earnings per day per man is about 10 per cent, according to those figures.

The CHAIRMAN. Yes.

Mr. SCHWAB. Now, what was the increase in the productive capacity?

The CHAIRMAN. It was 58 per cent.

Mr. SCHWAB. Yes; that is about right. But this is the way that that apparent increase of only 10 per cent appears in these statements, I imagine: When all this elaborate machinery for the cheaper production of pig iron was introduced, the labor it supplanted was high-priced labor, not the low-priced labor.

The CHAIRMAN. Oh, I understand.

Mr. SCHWAB. Entirely. Now, the apparent increase of only 10 per cent a day in the wages per man is not because the wages have only increased that much, because they have increased much more than that, I can assure you, but because the number of men who received the wages has been reduced.

The CHAIRMAN. Let us get down to the common sense——

Mr. SCHWAB. Yes.

The CHAIRMAN. I do not mean to criticize you.

Mr. SCHWAB. I understand.

The CHAIRMAN. This man was working for a blast furnace for $1.89 a day, and produced 1.51 tons of pig iron.

Mr. SCHWAB. Yes.

The CHAIRMAN. When he was working for $2.09 a day, he produced 82.39 tons of pig iron, didn't he?

Mr. SCHWAB. Oh, no; there is something wrong about that.

Mr. BARTLETT. 2.39?

Mr. SCHWAB. Yes; that is right; 2.39. Now, let me explain my position, Mr. Chairman. One dollar and eighty-nine cents is the average earnings of blast-furnace employees in 1902?

The CHAIRMAN. Yes.

Mr. SCHWAB. Now, half of those employees, let us say, received $1.50 and the rest $2.50; understand?

The CHAIRMAN. Yes.

Mr. SCHWAB. Skilled and unskilled labor?

The CHAIRMAN. Yes.

Mr. SCHWAB. Now, labor-saving appliances were put inside this plant, and the man that was not then needed was the $2.50-a-day man. Consequently, when you come to take the average in 1909 of $2.09 and show an apparent increase of 10 per cent, that would only be true if the number of high and low priced men remained the same, which it did not.

The CHAIRMAN. Be that as it may, that was the average increase in wage. Now, let me ask you this question: What per cent of a ton of iron did that man produce that worked for $1.89?

Mr. SCHWAB. That I could not answer.

The CHAIRMAN. Do you know?

Mr. SCHWAB. That I could not say.

The CHAIRMAN. How many men were there around the blast furnace in 1902?

Mr. SCHWAB. Probably 250 men per furnace.

The CHAIRMAN. Two hundred and fifty men per furnace?

Mr. SCHWAB. Yes.

The CHAIRMAN. How many tons of iron did those 250 men produce?

Mr. SCHWAB. Say 300 tons of iron or 375 tons of iron.

The CHAIRMAN. How much iron would that be to the man?

Mr. SCHWAB. That would be a ton and a half.

The CHAIRMAN. A tone and a half to the man?

Mr. SCHWAB. Yes.

The CHAIRMAN. Then if he increased 59 per cent, he would increase 59 per cent of a ton and a half of iron, wouldn't he?

Mr. SCHWAB. Yes.

The CHAIRMAN. That would be how much, 50 per cent of a ton and a half of iron would be about 0.75 of a ton, would it not?

Mr. SCHWAB. Yes.

The CHAIRMAN. That 0.75 of a ton of iron you sold for $15, did you not?

Mr. SCHWAB. Yes, sir.

The CHAIRMAN. Well, three-fourth of 15 would be $12, would it not? Now, that man who worked for $1.89 a day made you $12?

Mr. SCHWAB. Oh, no.

The CHAIRMAN. I mean in gross receipts. He increased your receipts $12?

Mr. SCHWAB. He did not increase them at all.

The CHAIRMAN. I mean by using this machinery he increased your gross earnings $12? Now, don't you think you could have, instead of paying him 10 cents, have paid him 58 cents, say, and not materially have affected your profits?

Mr. SCHWAB. Oh, it is a possible thing to do.

The CHAIRMAN. I mean would it have been an inequitable thing, or would it materially have impaired the profits on the business if the man's wages had increased with the increase of production?

Mr. SCHWAB. It would be bad manufacturing, I can tell you.

The CHAIRMAN. I know that. I am looking at it for the wage earners.

Mr. SCHWAB. Yes.

The CHAIRMAN. Now, you say you went to Mr. Carnegie for a proposition, and he gave you one?

Mr. SCHWAB. Yes.

The CHAIRMAN. What did he tell you he sold Mr. Morgan his works for?

Mr. SCHWAB. I tell you I have not at hand the conditions and figures, but you will find that all set forth in great detail in official statements.

The CHAIRMAN. It is on the books of the Carnegie Co. It was $520,000,000. That is what it was, wasn't it?

Mr. SCHWAB. I will try to make you an approximate estimate, if I can.

The CHAIRMAN. I want to get a statement from you.

Mr. SCHWAB. It was $304,000,000 of bonds, as I recall, and $195,000,000 of preferred stock of the new company, and $95,000,000 of the common stock of the new company. That is what the Carnegie Co. received for the works. Now, take the stocks at par, and it figures up approximately $500,000,000.

Mr. YOUNG. Was it worth par at the time in the market?

Mr. SCHWAB. Oh, no; nothing like it.

The CHAIRMAN. Now, Mr. Carnegie got bonds?

Mr. SCHWAB. He got bonds.

The CHAIRMAN. How much did he get?

Mr. SCHWAB. He got half the company.

The CHAIRMAN. How much did he get?

Mr. SCHWAB. Mr. Carnegie owns much more than half the company.

The CHAIRMAN. He received $320,000,000 of bonds, did he not?

Mr. SCHWAB. No; it was $304,000,000, I think.

Mr. LINDABURY. You had not finished your answer?

Mr. SCHWAB. I have forgotten what I was going to add.

The CHAIRMAN. What was Mr. Carnegie's amount of bonds?

Mr. SCHWAB. I could not tell you for this reason, that he owned outright 51 per cent of the stock, let us say, and practically all the other stockholders owed Mr. Carnegie for the stock which he had sold them, so, without knowing the amounts that the other partners owed him for the stock, it is impossible for me to say what he received.

The CHAIRMAN. Do you know Mr. Bridges?

Mr. SCHWAB. Yes; I have met him; I do not know him.

The CHAIRMAN. He has written an inside history of the Carnegie Co.?

Mr. SCHWAB. Yes.

The CHAIRMAN. Did he have access to the books of the company before writing that book?

Mr. SCHWAB. No; he did not have.

The CHAIRMAN. He gives quite a number of excerpts—that is, balance sheets and things of that kind—from the books?

Mr. SCHWAB. Yes.

The CHAIRMAN. Those are correct, are they not?

Mr. SCHWAB. I do not know as to their correctness.

The CHAIRMAN. But you are familiar with the kind of man he is?

Mr. SCHWAB. Yes. I understand some of the partners of the Carnegie Co. gave him that.

The CHAIRMAN. I am not going to give their names, but it is said a man very high up in the Carnegie Co., whose relations were not particularly cordial with Mr. Carnegie—and there are several of them—furnished Mr. Bridges with the data which he put in that book.

Mr. SCHWAB. I have heard that.

The CHAIRMAN. Now, I will ask you, Mr. Schwab, if you know anything about the suit of Frick against the Carnegie Co. to which you were a party?

Mr. SCHWAB. Yes.

The CHAIRMAN. Did that suit affect practically the same properties which were conveyed by the Carnegie Co. to the United States Steel Corporation?

Mr. SCHWAB. I think it did; yes.

The CHAIRMAN. I think it was the same properties.

Mr. SCHWAB. Yes.

The CHAIRMAN. Was there any material increase in the value of those properties between the time that suit was filed and the time the Carnegie Co. went into the hands of the Steel Corporation?

Mr. SCHWAB. Nothing beyond the natural increase.

The CHAIRMAN. Certainly there could not have been any increase between March 1, 1900, and you went in in April, 1901—there was no increase, was there?

Mr. SCHWAB. Excepting the natural increase.

The CHAIRMAN. I will call your attention to a pleading, a petition, filed by Mr. Frick, and the answer filed by yourself. I will ask you to examine it and see if is all right.

Mr. SCHWAB. You do not want me to read this, do you?

The CHAIRMAN. No; I just want to ask you if those are the genuine documents. Identify them.

Mr. SCHWAB. Yes; I think they are. I think I am familiar with them.

The CHAIRMAN. They are sent to me as certified copies, but I want to see if they are.

Mr. SCHWAB. Yes; that is right. I am familiar with them.

The CHAIRMAN. The contention in that case, Mr. Schwab, was an effort by the Carnegie Co., or certain members of the Carnegie Co., to enforce what was known as the iron-clad contract, was it not?

Mr. SCHWAB. It was.

The CHAIRMAN. And you offered to Mr. Frick the full value of his share in the Carnegie business based upon the terms of his written contract, to which you were all parties, and upon the books of your company?

Mr. SCHWAB. Quite true.

The CHAIRMAN. Did not Mr. Frick, declaring that those book values were not accurate, plead in his sworn pleading that the business of the Carnegie Steel Co. (Ltd.), especially during the last few years, has been enormously successful and profitable? With the then outlook, Carnegie estimated in November, 1899, that it will realize from its business for the year 1900 a profit of $40,000,000, and I then and now believe that said profit will exceed $40,000,000. During the year ending December 31, 1899, its net profits were $21,000,000. Its assets on the 31st day of December, 1899, were clearly worth more than $250,000,000?

Mr. SCHWAB. Yes.

The CHAIRMAN. And that he, Frick, in asking to have his share in the Carnegie Steel Co. properties of all kinds, asked it be prorated upon the total valuation of $250,000,000?

Mr. SCHWAB. Quite true.

The CHAIRMAN. Is it a fact, Mr. Schwab, that Mr. C. M. Schwab—this petition ends as follows:

Wherefore, having denied all and every averment contained in the bill of complaint which is material to the relief sought, we pray that the bill may be dismissed with costs. The Carnegie Steel Co. (Ltd.), by C. M. Schwab.

Mr. SCHWAB. Yes; that is right.

The CHAIRMAN. That is your answer?

Mr. SCHWAB. That is right.

The CHAIRMAN. You swore to this answer, of course?

Mr. SCHWAB. Yes.

The CHAIRMAN. Now, in this answer I find this line:

It is not true that on December 31, 1899, the said association had assets or property, either real or personal or tangible, in any form, which the said association in its legal capacity could transfer, which were worth $250,000,000; nor did the defendant, Andrew Carnegie, ever assert that said assets were in excess of that sum. The said Andrew Carnegie has repeatedly expressed the opinion with reference to the earning capacity of said company, that the personnel of its organization was worth more than all the property of the company.

And I am entirely in accord with Mr. Carnegie.

The CHAIRMAN (reading):

It is true that the said Andrew Carnegie has expressed and still holds sanguine views as to the future of said company, but any such views are based upon the maintenance of the organization of the said company in its present condition of efficiency and harmony.

The facts which the plaintiff has distorted in order to give color to the averments contained in the ninth paragraph of the bill are these—

And then you go on and give a lot of facts touching the transfer, and then you speak of the policy of the association.

Now, I want to call your attention to this:

Having so answered—

That is, having gone into this thing and alleged, if I quote you correctly, that Mr. Frick was at odds with Mr. Carnegie, that he personally disliked him and that his anger and his misinformation or bad judgment had led him—Frick—to exaggerate the statements of Andrew Carnegie, and that his statements were totally valueless—that is about the substance of it?

Mr. SCHWAB. That is about it.

The CHAIRMAN (reading):

Having so answered, we do respectfully suggest that any such estimate of values of our assets as is contained in the ninth paragraph of the plaintiff's bill is wholly immaterial, as we are advised in the present case. The rights of the plaintiff touching the price which is to be paid to him for his interest are based altogether upon the "ironclad agreement," to which he is a party. The value of his interest is, by the terms of said agreement, to be ascertained by reference to the books of the company. Those books were under the supervision of the plaintiff until the day of his resignation from the chairmanship of our company, and the entries have been made from time to time in accordance with his expressed judgment.

These books show that the net value on the 31st day of December, 1899, of the assets of the association was $75,610,104.06.

That was the correct figure, wasn't it? That was the property that was conveyed 18 months later for $520,000,000, wasn't it?

Mr. SCHWAB. Quite true.

The CHAIRMAN (reading):

To a large extent this book value represents the actual cost of the properties represented in the balance sheets of the association. Every month a balance sheet of the association's assets and liabilities has been prepared and a copy of the same furnished to the plaintiff, on which balance sheet the book value of the capital is clearly shown; and we aver that the valuation of the assets as shown on said books and balance sheets is a full, fair, and accurate valuation of the same, and that there has not been omitted from such books and balance sheets any assets which should properly find a place thereon.

Mr. SCHWAB. Quite true.

The CHAIRMAN. All right.

Mr. SCHWAB. May I say something now about it?

The CHAIRMAN. Certainly, Mr. Schwab.

Mr. SCHWAB. The statement as shown there as to our assets of the Carnegie Co., or what we call book values, needs some explanation.

The book value meant to us the actual dollars over a period of years that we had put into the company from earnings, with very liberal depreciations and charges, and there was a good reason for that. When the ironclad agreement of the Carnegie Co. was made it was a partnership, and it was to the effect that upon the death or retirement of any partner in that company he had to sell his interest to the other partners at book value—at what we called the book value.

The people in charge of the business, the president and other officers, were always anxious to see that book value very low, because if we acquired stock we acquired it at a low price, and in the event of the death of the important members of the concern, who held large interests, we, the other members in the company, would buy their stock at a very low figure.

Now, all our ore leases which were of very great value, as you can well appreciate from the recent prices of ore, were not carried on our books as of any value, because in those days we paid nothing for an ore lease, or very little.

The purpose of that statement when we speak of our assets as being on our books at $71,000,000, it was on our books at $71,000,000, understood by all the partners of the association that those values were fixed in the manner that I showed, and it was only fair, in our opinion, that Mr. Frick, when he retired from the company, should retire on exactly the same basis which he had agreed that he should do, and as other partners in the concern had retired on. I do not think myself that it was fair. I think that the company was worth far more than that. Indeed, when the suit was settled later, and I had to fix a value on the company, I put it at $320,000,000, and that was the basis upon which the company was capitalized as between Mr. Frick, Mr. Carnegie, and the rest of us, before the organization of the Steel Co.

The CHAIRMAN. This suit was finally settled by compromise?

Mr. SCHWAB. It was settled by the making of the Carnegie Steel Co. into a corporation instead of a partnership. The abolishment of the iron-clad partnership agreement and the making of a corporation in which Mr. Frick and every other partner secured his pro rata shares of the securities of the company.

The CHAIRMAN. But Mr. Frick did not retire at all?

Mr. SCHWAB. He kept his securities. He was a stockholder in the corporation, but he retired officially.

The CHAIRMAN. No money was paid to Mr. Frick?

Mr. SCHWAB. No; but Mr. Frick took his share of the company on the basis of $320,000,000.

The CHAIRMAN. But he never did realize on his holdings until you finally were absorbed by the Steel Corporation.

Mr. SCHWAB. Oh, but Mr. Frick could have done so.

The CHAIRMAN. I understand when two men in a lawsuit are exercising judgment on a matter, even when making a sworn statement, that judgment is biased by their interest.

Mr. SCHWAB. I think if you will go pretty fairly in that statement you will find it was made on the basis that the book values of that company which represented the value of the company were on the basis of the moneys we had paid into the company. There was nothing said about good will, increase of our values, or anything. The only thing was to force Mr. Frick to settle on the basis he had made other partners settle on, which was on the basis of the book values.

The CHAIRMAN. This book value equaled the total assets.

Mr. SCHWAB. When you speak of your assets, it was assets reckoned in the way I tell you. I do not suppose in that entire valuation we had our ore properties, which were of inestimable value—I do not believe we had them in that book value at more than $2,000,000.

The CHAIRMAN. Now, leaving out the opinions there, I understand that the plaintiff in a suit over a question of value of a plant will often estimate his holdings too high and the defendant will estimate them too low. That is always the case, is it not, in a lawsuit?

Mr. SCHWAB. I know what you are going to say there.

The CHAIRMAN. There is a tendency of that kind, is there not?

Mr. SCHWAB. Yes.

The CHAIRMAN. Now, you say it was to your interest, as it was, you being a younger man, to depress those values?

Mr. SCHWAB. Not to depress them, but to keep them low; yes.

The CHAIRMAN. It was to Carnegie's interest to elevate them, because if he died he would lose by it.

Mr. SCHWAB. Mr. Carnegie never thought of that. It was the last thought in Mr. Carnegie's mind—that he would sell his properties. He never thought he would.

The CHAIRMAN. But if he dropped out, he would realize on them.

Mr. SCHWAB. Mr. Carnegie never bought and sold them and never wanted to sell them, and I can assure you he regretted a week after he did sell them that he had done so.

The CHAIRMAN. I do not doubt that, but I say if Mr. Carnegie had died you would have settled up with his estate on the book values?

Mr. SCHWAB. Yes.

The CHAIRMAN. If you had died that would have been done?

Mr. SCHWAB. Yes.

The CHAIRMAN. Each fellow's estate was bound by that agreement?

Mr. SCHWAB. Yes; it was a partnership.

The CHAIRMAN. It may be, as it probably was, that you estimated those book values too low, but it is equally true that Mr. Frick, wanting to get all he could, would estimate them just as high certainly, as he thought they were worth.

Mr. SCHWAB. I don't believe he did.

The CHAIRMAN. Do you believe a man of Frick's acumen was so fastidiously conscientious he would go into a lawsuit and swear himself out of $75,000,000?

Mr. SCHWAB. There is a vast difference between $150,000,000 and $201,000,000, and when Frick put his estimate nearly four times what our book value was, I suppose he thought he was getting it high enough.

The CHAIRMAN. But in paragraph 9 he places the estimate at $250,000,000.

Mr. SCHWAB. I understand that; but I am assuring you that a subsequent estimate of the real value of the Carnegie properties, in adjusting all these legal difficulties, the values were placed by Frick and myself and all other partners for ourselves, with no thought of selling its stock, and nobody ever sold any stock at $320,000,000.

The CHAIRMAN. When was that valuation made?

Mr. SCHWAB. That valuation was made at the conclusion of the Frick suit.

The CHAIRMAN. How long was that before the absorption?

Mr. SCHWAB. I think two years.

The CHAIRMAN. The conclusion of the Frick suit, I understand, was like this: You came to an amicable adjustment, there was no possibility of Mr. Frick or anybody else then retiring, and nothing to be paid in money or note, and it did not matter whether you put your property at $500,000,000 or $200,000,000.

Mr. SCHWAB. No.

The CHAIRMAN. Because each fellow would get the same pro rata; is not that true?

Mr. SCHWAB. Excepting this, that we did desire at that time to place our property at what we thought was its actual capitalization and value.

The CHAIRMAN. It looked better to have a $500,000,000 concern?

Mr. SCHWAB. No; in order that our shares should not be dealt in by the public or sold, we made our shares a thousand dollars. They were not ordinary stock certificates of $100 shares to conform to the rules of the stock exchange.

The CHAIRMAN. Very wise.

Mr. SCHWAB. We endeavored to avoid that very thing, and we made each share of the stock $1,000 so it could not be dealt in by the public.

The CHAIRMAN. I heartily agree with you. I have always had an idea from what study I have made of this question that the Carnegie Co. in its personnel, in its policies, in its abstaining from getting a monopoly of ore, in keeping its stock off of Wall Street, and in refusing to buy and sell its own stock—I have never seen any trade of where one man in the Carnegie Co., before it went in the Steel Corporation, sold his stock to another.

Mr. SCHWAB. No; that is true.

The CHAIRMAN. I think this buying and selling of stock is iniquitous and ought to stop. I agree with you, but you had your stocks off the Street and there was no way of buying and selling them, and you did not make or lose anything if you put that property at two billions.

Mr. SCHWAB. No; but I can only give you my assurance that when we fixed that value we believed that was about right.

The CHAIRMAN. But, Mr. Schwab, if Mr. Frick had won this suit, and if that property value had been fixed at $250,000,000, then each one of you survivors would have had to have gone down in your pocket for the money, or given him your promise to pay, would you not?

Mr. SCHWAB. That is true.

The CHAIRMAN. Now, I want to ask you to identify this book so I may place this balance sheet of March 1, 1909, in which your total assets are $1,400,000, including everything, and your capital stock

is $81,000,000, in the record, and I will ask you to kindly identify this page 313.

(Book handed the witness.)

Mr. SCHWAB. Yes.

The CHAIRMAN. It is now after 5 o'clock, and I will not tax your patience any more to-day.

Mr. SCHWAB. Suit yourself.

Mr. YOUNG. Why not finish it? I have no doubt Mr. Schwab will continue, and perhaps would want to finish.

Mr. SCHWAB. No; I will accommodate myself to the commission.

The CHAIRMAN. I do not think it would be possible to finish under an hour or an hour and a half. I will hurry, though.

Mr. SCHWAB. Just at your pleasure.

The CHAIRMAN. Well, Mr. Schwab, will you kindly appear here before the committee in the morning at 10 o'clock?

Mr. SCHWAB. At your pleasure.

The CHAIRMAN. Say 10 o'clock.

(Whereupon, at 5.15 p. m., the further hearing was adjourned to Saturday, August 5, 1911, at 10 o'clock a. m.)

(The table referred to on page 313 of History of Carnegie Steel Co. is as follows:)

THE CARNEGIE STEEL CO. (LTD.), OFFICE OF SECRETARY.

Balance sheet, March 1, 1900.

ASSETS.

Cash:			
Treasury		$1,287,437.66	
Works		19,283.43	
Sales agencies		23,302.50	
			$1,332,023.59
Bills receivable			7,174,804.02
Mortgages receivable, employees			239,845.34
Accounts receivable:			
Current		16,381,884.06	
Securities		517,324.80	
			16,899,208.86
Stocks:			
Finished product		2,755,203.92	
Materials for use		7,087,964.76	
Ore at Lake ports		1,952,212.31	
Ore at mines		16,470.00	
			11,811,850.99
Available assets			37,457,732.90
Works and properties:			
Edgar Thomson Works	$10,429,594.67		
Duquesne Steel Works	2,333,406.35		
Duquesne furnaces	5,626,211.91		
Homestead Steel Works	16,644,201.84		
Carrie furnaces	1,079,588.69		
Howard Axle Works	717,476.87		
Lucy furnaces	1,251,869.99		
Keystone Bridge Works	718,160.11		
Upper Union Mills	1,000,000.00		
Lower Union Mills	700,000.00		
Larimer coke works	200,000.00		
Youghiogheny coke works	160,000.00		
City farm lots	960,684.50		

Balance sheet, March 1, 1900—Continued.

ASSETS—continued.

Works and properties—Continued.			
Verona land	$40,000.00		
Liberty farm	225,000.00		
Oliver land	310,313.81		
Fawcett land	25.00		
		$42,396,513.74	
1900 improvements:			
Edgar Thomson furnaces	50,489.13		
Edgar Thomson steel works	31,441.69		
Edgar Thomson foundry	10.50		
Duquesne furnaces	13,324.48		
Duquesne steel works	304,635.24		
Homestead steel works	240,666.98		
Carrie furnaces	204,070.56		
Howard axle works	102,542.90		
Lucy furnaces	3,415.57		
Keystone bridge works	1,663.18		
Upper Union Mills	6,537.12		
Lower Union Mills			
		958,797.35	
Stocks and bonds, investments		14,940,405.50	
			58,295,716.59
Undivided capital		77,710.72	
			5,663,352.94
Total assets			101,416,802.43

LIABILITIES.

Mortgages payable:			
Edgar Thomson works	209,945.00		
Duquesne steel works	995,000.00		
Duquesne furnaces	200,000.00		
Homestead steel works	103,250.00		
Carrie furnaces	600,000.00		
Howard axle works	273,275.85		
Keystone bridge works	50,000.00		
Liberty farm	150,000.00		
Oliver land	153,000.00		
		2,734,470.85	
Bills payable:			
Current	4,360,174.73		
Stewart	375,000.00		
Borntraeger	271,423.56		
		5,006,598.29	
Accounts payable:			
Current	2,469,650.44		
Ore	240,130.21		
		2,709,780.65	
Special deposits		3,776,276.27	
Liabilities payable		14,227,126.06	
Special funds:			
Contingent fund	557,143.50		
Contingent special	711,810.00		
Relining fund	211,328.85		
Coal extinguishment fund	15,822.45		
		1,496,104.80	
Due to partners		4,113,657.38	
Surplus	56,579,914.19		
Capital	25,000,000.00	81,579,914.19	101,416,802.43

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No. 19

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

SATURDAY, AUGUST 5, 1911

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

UNITED STATES STEEL CORPORATION.

SPECIAL COMMITTEE ON THE INVESTIGATION
OF THE UNITED STATES STEEL CORPORATION,
New York, Saturday, August 5, 1911.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

There were also present Messrs. Bartlett, Littleton, Beall, McGillicuddy, Young, Sterling, and Danforth.

The CHAIRMAN. The committee will resume its session.

I wish to state to the committee that Col. Roosevelt has not been subpœnaed to appear before the committee, and, as far as the chairman is concerned, would not have been subpœnaed. I felt, however, that it was due Col. Roosevelt, and would certainly be a great accommodation to the committee, if he would kindly appear and advise us concerning certain matters about which there has been so much discussion. For that reason I advised him that if he would kindly appear before us the committee and its chairman would certainly appreciate the courtesy. Col. Roosevelt immediately advised me that he would appear before this committee at any time and would gladly inform us of any matters within his knowledge touching this investigation.

I wish to extend to you, sir, the thanks of the committee for your promptness and courtesy in appearing.

Col. Roosevelt, I would like to have you state in your own way the substance of all the statement and representations made to you by Mr. Frick and Mr. Gary prior to the absorption of the Tennessee Coal & Iron Co. on November 3 or 4, 1907, I believe the record shows, a part of which has been mentioned in your letter to the Attorney General, but it is not as full and complete and as much in detail as we think advisable on account of the investigation and the great discussion of that incident.

Mr. ROOSEVELT. After I was notified from the Outlook office yesterday of your very courteous request that I come before the committee, and after you had very courteously acceded to my request that it should be at 10.30 o'clock instead of 10 o'clock, so I could get back from Oyster Bay, I returned and wrote out the statement that I should like to make, and then, after you have heard it, if you will put questions to me I will answer them to the best of my ability.

The CHAIRMAN. You may proceed in your own way.

STATEMENT OF HON. THEODORE ROOSEVELT.

Mr. ROOSEVELT. In the fall of 1907 there were severe business disturbances and financial stringency, culminating in a panic which arose in New York and spread over the country. The damage actually done was great, and damage threatened was incalculable.

Thanks largely to the action of the Government, the panic was stopped before, instead of being merely a serious business check, it became a frightful and nation-wide calamity, a disaster fraught with untold misery and woe to all our people. For several days the Nation trembled on the brink of such a calamity, of such a disaster, as you gentlemen doubtless remember.

During those days both the Secretary of the Treasury and I personally were in hourly communication with New York, following every change in the situation, and trying to anticipate every development. It was the obvious duty of the administration to take every step possible to prevent appaling disaster by checking the spread of the panic before it grew so that nothing could check it; and events moved with such speed that it was necessary to decide and to act on the instant, as each successive crisis arose, if the decision and action were to accomplish anything. The Secretary of the Treasury took various actions, some on his own initiative, some by my direction. Late one evening I was informed that two representatives of the Steel Corporation wished to see me early the following morning, the precise object not being named. Next morning, while at breakfast, I was informed that Messrs. Frick and Gary were waiting at the office; I at once went over, and as the Attorney General, Mr. Bonaparte, had not yet arrived from Baltimore, where he had been passing the night, I sent a message asking the Secretary of State, Mr. Root, who was also a lawyer, to join us, which he did. Before the close of the interview and in the presence of the three gentlemen named, I dictated a note to Mr. Bonaparte, setting forth exactly what Messrs. Frick and Gary had proposed and exactly what I had answered, so that there might be no possibility of misunderstanding. This note was published in a Senate document while I was still President, and is already spread on the minutes of your committee. It runs as follows:

Shall I read it, gentlemen?

The CHAIRMAN. Just as you like, Col. Roosevelt.

Mr. ROOSEVELT. With your permission, I will read it.

THE WHITE HOUSE,
Washington, November 4, 1907.

MY DEAR MR. ATTORNEY GENERAL: Judge E. H. Gary and Mr. H. C. Frick, on behalf of the Steel Corporation, have just called upon me. They state that there is a certain business firm (the name of which I have not been told) which will undoubtedly fail this week if help is not given. Among its assets are a majority of the securities of the Tennessee Coal Co. Application has been urgently made to the Steel Corporation to purchase this stock as the only means of avoiding a failure. Judge Gary and Mr. Frick informed me that as a mere business transaction they do not care to purchase the stock; that under ordinary circumstances they would not consider purchasing the stock, because but little benefit will come to the Steel Corporation from the purchase; that they are aware that the purchase will be used as a handle for attack upon them on the ground that they are striving to secure a monopoly of the business and prevent competition—not that this would represent what could honestly be said, but what might recklessly and untruthfully be said.

They further informed me that, as a matter of fact, the policy of the company has been to decline to acquire more than 60 per cent of the steel properties, and that this purpose has been persevered in for several years past, with the object of preventing these accusations, and, as a matter of fact, their proportion of steel properties has slightly decreased, so that it is below this 60 per cent, and the acquisition of the property in question will not raise it above 60 per cent. But they feel that it is immensely to their interest, as to the interest of every responsible business man, to try to prevent a panic and general indus-

trial smashup at this time, and that they are willing to go into this transaction, which they would not otherwise go into, because it seems the opinion of those best fitted to express judgment in New York that it will be an important factor in preventing a break that might be ruinous; and that this has been urged upon them by the combination of the most responsible bankers in New York who are now thus engaged in endeavoring to save the situation. But they asserted they did not wish to do this if I stated that it ought not to be done. I answered that while, of course, I could not advise them to take the action proposed, I felt it no public duty of mine to interpose any objections.

Sincerely, yours, THEODORE ROOSEVELT.

Hon. CHARLES J. BONAPARTE,
Attorney General.

Mr. Bonaparte received this note in about an hour and that same morning he came over to acknowledge its receipt, and said that my answer was the only proper answer that could have been made, having regard both to the law and to the needs of the situation; he stated that the legal situation had been in no way changed, and that no sufficient ground existed for prosecuting the Steel Corporation. But I wish it distinctly understood that I acted purely on my own initiative and that the responsibility for the act was solely mine.

I was intimately acquainted with the situation in New York. The word "panic" means fear, unreasoning fear; to stop a panic it is necessary to restore confidence; and at the moment the so-called Morgan interests were the only interests which retained a full hold on the confidence of the people of New York, not only the business people but the immense mass of men and women who owned small investments or had small savings in the banks and trust companies. Mr. Morgan and his associates were, of course, fighting hard to prevent the loss of confidence and the panic distrust from increasing to such a degree as to bring any other big financial institutions down, for this would probably have been followed by a general and probably world-wide crash. The Knickerbocker Trust Co. had already failed, and runs had begun on or were threatened as regards two other big trust companies. These companies were now on the fighting line, and it was to the interest of everybody to strengthen them in order that the situation might be saved. It was a matter of general knowledge and belief that they or the individuals prominent in them held the securities of the Tennessee Coal & Iron Co., which securities had no market value and were useless as a source of strength in the emergency. The Steel Corporation securities, on the contrary, were immediately marketable, their great value being known and admitted all over the world, as the events showed. The proposal of Messrs. Frick and Gary was that the Steel Corporation should at once acquire the Tennessee Coal & Iron Co. and thereby substitute, among the assets of the threatened institutions (which, by the way, they did not name to me), securities of great and immediate value for securities which at the moment were of no value. It was necessary for me to decide on the instant before the Stock Exchange opened, for the situation in New York was such that any hour might be vital, and failure to act for even an hour might make all subsequent effort to act utterly useless. From the best information at my disposal I believed (and believe) that the addition of the Tennessee Coal & Iron property would only increase the proportion of the Steel Co.'s holdings by about 4 per cent, making them about 62 per cent instead of about 58 per cent of the total value in the country, an

addition which by itself, in my judgment (concurred in, I may add, not only by the Attorney General but by every competent lawyer with whom I talked), worked no change in the legal status of the Steel Corporation.

Furthermore, I believed that the action was emphatically for the general good; that it offered the only chance for arresting the panic; and that it would probably arrest the panic, as it did. I answered Messrs. Frick and Gary, as set forth in my published letter, to the effect that I did not deem it my duty to interfere—that is, to forbid the action which, more than anything else, in actual fact, saved the situation. The result justified my judgment. The panic was stopped, public confidence in the solvency of the threatened institutions being at once restored.

Incidentally I may mention that when I was in Birmingham last spring every man I met, without exception, who was competent to testify, informed me voluntarily that the results of the action taken had been of the utmost benefit to Birmingham, and therefore to Alabama, the industry having profited to an extraordinary degree, not only from the standpoint of the business but from the standpoint of the community at large and of the wage workers, by the change in ownership. The results of the action I took were beneficial from every standpoint, and the action itself at the time when it was taken was vitally necessary to the welfare of the people of the United States.

In my judgment I would have been derelict in my duty, I would have shown myself a timid and unworthy public officer if in that extraordinary crisis I had not acted as I did act. In every such crisis the temptation to indecision, to nonaction, is great, for excuses can always be found for nonaction, and action means risk and the certainty of blame to the man who acts. But if the man is worth his salt he will do his duty; he will give the people the benefit of the doubt and act in any way which their interests demand and which is not affirmatively prohibited by law, unheeding the likelihood that he himself, when the crisis is over and the danger passed, will be assailed for what he has done.

Every step I took in the matter was open as the day, and was known in detail at the moment to all people. The press contained full accounts of the visit to me of Messrs. Frick and Gary, and heralded widely and with acclamation the results of that visit. At the time the relief and rejoicing over what had been done were well nigh universal. The danger was too imminent and too appalling for men to be willing to condemn those who were successful in saving them from it. But I fully understood and expected that when there was no longer danger, when the fear had been forgotten, attack would be made upon me.

If I were on a sailboat I should not ordinarily meddle with any of the gear; but if a sudden squall struck us, and the main sheet jammed, so that the boat threatened to capsize, I would unhesitatingly cut the main sheet, even though I were sure that the owner, no matter how grateful to me at the moment for having saved his life, would a few weeks later, when he had forgotten his danger and his fear, decide to sue me for the value of the cut rope.

The CHAIRMAN. Col. Roosevelt, I listened very attentively to the statement which you kindly read to us, but I did not catch all you

read, on account of noise in the room, and I would request that you state to the committee the representations made by Judge Gary at that time as to the necessity for the exchange of the bonds of the United States Steel Corporation for the stock of the Tennessee Coal & Iron Co. and as to the relative intrinsic value of the two securities.

Mr. ROOSEVELT. May I preface by a statement for one moment?

The CHAIRMAN. Certainly.

Mr. ROOSEVELT. I had already heard from New York that certain of the big bankers were urging the Steel Corporation to acquire the Tennessee Coal & Iron properties so as to save certain trust companies which they mentioned from disaster. Mr. Frick and Judge Gary both spoke to me—I can not, of course, remember who it was that made any given statement, and I can not pretend at this time, the events being nearly four years in the past, to give with verbal accuracy what they said—to this effect: That they were urged by various representatives of the big business interests in New York to acquire the Tennessee Coal & Iron property because the Tennessee Iron & Coal securities were assets in, I think they only told me, one big trust company—but I had previously been informed that there were two such trust companies, but that the Tennessee Coal & Iron properties were assets, and a very large proportion of the assets of a certain big company which was threatened with failure—and that they were firmly convinced that it would fail if nothing were done, because those securities had no market value at the moment. They stated that they were willing to purchase that property for the Steel Corporation; that the Steel Corporation did not wish to do it for the sake of the transaction itself, because it had been their policy to try to keep their proportion of the total holdings at 60 per cent or less, and, as a matter of fact, their proportion, they stated, had shrunk during the last few years; and they realized that if they purchased this company it would invite attack on the ground that they were a monopoly. But they said that they were willing to do it and anxious to do it—and when I use the words "willing" and "anxious" I am using my own words.

The CHAIRMAN. I understand.

Mr. ROOSEVELT. But I am giving the ideas that they conveyed to me: That they were willing and anxious to do it because they felt that that was the only way to save the situation; that it would enable them to put the whole power of the Steel Corporation behind the company or companies on the firing line, and so to avert a disaster which, if it went on, would be fatal to everybody, including themselves. The conversation doubtless, Mr. Stanley, was more in detail than I have given it, but I can only now give you the general effect as I have given it.

The CHAIRMAN. I understand perfectly. It would be impossible to give the statement with verbal accuracy after this lapse of time.

Mr. ROOSEVELT. Yes.

The CHAIRMAN. You spoke of their mentioning certain trust companies. Do you remember what trust companies they mentioned?

Mr. ROOSEVELT. I think they particularly did not mention any names, and I did not ask them to because I know that in a time of panic merely to have a big financial man name a company that is doubtful, if it is repeated may make that company doubtful; and I thought it was just as well that I should not ask.

The CHAIRMAN. The impression that you gathered from their statement was that there were quite a number of powerful banking concerns, trust companies especially, who were tottering by virtue of the fact——

Mr. ROOSEVELT (interposing). Who were what, sir?

The CHAIRMAN. Tottering.

Mr. ROOSEVELT. Yes.

The CHAIRMAN (continuing). Who were in great financial distress on account of the fact that they had overloaded themselves with these uncurrent securities, the Tennessee Coal & Iron Co. stocks; and that by eliminating those securities from their collateral and substituting the current and easily interchangeable into cash bonds of the United States Steel Corporation, they could bolster up and sustain these banks until this unreasoning fear had subsided.

Mr. ROOSEVELT. That was the impression that I had gained from what I had heard from New York in the two or three previous days. From Messrs. Frick and Gary I gained substantially the same impression, except that I think they only spoke of one company or organization, whereas in what I had heard from New York at least two and, I think, other companies had been mentioned.

The CHAIRMAN. That one company was a trust company, that they mentioned? You spoke of their only speaking of one company. Did they speak of one trust company?

Mr. ROOSEVELT. Mr. Stanley, I could not now possibly remember definitely whether they used the words "trust company" or not. I, of course, had no interest as to whether it was a trust company or not. I know that I had heard from New York that there were two trust companies menaced, because I happened to remember the names given me from New York, which it is not necessary to mention; but I could not say whether they used the words "trust company" or not.

The CHAIRMAN. Your impression, as I understand it, was that it was a great trust company that was in peril, especially?

Mr. ROOSEVELT. My impression was that it was a great company, a great business organization here, that was in peril.

The CHAIRMAN. A great banking house?

Mr. ROOSEVELT. Mr. Stanley, I could not tell you now whether my impression gained from them was that it was a banking house or a trust company or what. I have told you just what I knew; that I had learned from New York that several companies, including two trust companies, were menaced, and that Messrs. Frick and Gary told me that a big company was menaced. I could not be certain that they defined what the company was. They did not give me its name.

The CHAIRMAN. The reason I am so anxious to know—well, I will explain by asking another question. Did they advise you at that time, Col. Roosevelt, that the stocks of the Tennessee Coal & Iron Co. were preferred by them, other things being equal, to other industrial stocks before this panic came on and before it became acute?

Mr. ROOSEVELT. They never spoke to me on the subject at all.

The CHAIRMAN. Did they tell you that their efforts to help a certain stock broker, or at least their transactions with him, were on account of the fact that industrial securities which he had, for some reason that I can not understand, had no current value in Wall Street, without regard to their intrinsic value—and the fact of current or uncur-

rent securities having no inrtinsic value is one of the mysteries of godliness or ungodliness that I have never been unable to unravel——

Mr. ROOSEVELT. You must apply to somebody else than myself if you wish the opinion of an expert in Wall Street. [Laughter.]

The CHAIRMAN. I quite agree with you. But they did not advise you that among these uncurrent securities their particular favorite was Tennessee Coal & Iron stock? They did not advise you, as I understand, that weeks before that they had gone to a stock jobber here, who was in danger, and offered to lend him these same bonds for industrials, and that he offered them a great batch of them, Tobacco stocks, and a half a dozen of them, among them the Republic Iron & Steel—and that among them was some of this same objectionable Tennessee Coal & Iron, and that they sifted the Tennessee Coal & Iron out, taking that alone as security?

Mr. ROOSEVELT. They not only did not advise me about that, but nothing of the kind was mentioned in our conversation.

The CHAIRMAN. I am quite sure of that, Col. Roosevelt. Did they advise you at that time that nine-tenths of this stock was locked up in the strong boxes of multi-millionaires on account of its immense intrinsic value; that it had been purposely destroyed in Wall Street by "pegging"—that is preventing any man from getting a majority of it—just as Mr. Schwab testified yesterday they made the Carnegie stocks worth $1,000 a share to keep it out of this place; and that only 30 per cent of this stock was out among the industrials, which all had to be supported by current securities; that no bank in Wall Street or in New York was objecting to this particular stock, and that the sum total of it then in the hands of the man in distress did not exceed in value—that is, if it were sold—$5,000,000 or $6,000,000?

Mr. LINDABURY. Mr. Chairman, permit me to object to that question as not accurately reciting the evidence.

The CHAIRMAN. The objection is overruled.

Mr. LINDABURY. I would like to have the objection noted.

The CHAIRMAN. All right; let it be noted.

Mr. YOUNG. I do not think Col. Roosevelt should be asked to answer a question containing so many misstatements of fact.

Mr. ROOSEVELT. Let me answer it. Nobody talked to me on the lines you have mentioned at all—neither Mr. Frick, Mr. Gary, nor anyone else.

The CHAIRMAN. I am quite sure of that.

Mr. ROOSEVELT. But as you have spoken of the fact that certain bankers approved of the Tennessee Coal & Iron securities—you mentioned that?

The CHAIRMAN. Yes.

Mr. ROOSEVELT. I ought to say that from New York I had been told by banker after banker that the Tennessee Coal & Iron securities were valueless as securities that counted in that panic; and before Mr. Frick or Mr. Gary had said anything to me, they were expressing to me the earnest desire that the big institutions—or I will not say "big"—the threatened institutions should have substituted for the Tennessee Coal & Iron securities securities that would be of immediate value in stopping the panic. I do not give that as a statement of fact, but it was what was said to me by the bankers, and without contradiction by the bankers at the time.

The CHAIRMAN. It is quite true that those were uncurrent securities. There is no question about that. You speak of a number of bankers. You say they told you there were a number of bankers who were of the opinion that this interchange of securities was necessary in order to save the day.

Mr. ROOSEVELT. They stated that there were a number of bankers.

The CHAIRMAN. Did they give the names of those bankers?

Mr. ROOSEVELT. They did not.

The CHAIRMAN. Did they say that Mr. Morgan and his associates thought that ultimatum was necessary to stop the panic—that is, the transfer of these stocks—and that nothing else would do it?

Mr. ROOSEVELT. Whether they stated that quite as strongly as you have put it I can not say; but they stated or conveyed the impression to me that if this was not done they knew of no way by which the panic would be stopped, and that if this were done in all likelihood the panic would be stopped.

The CHAIRMAN. Col. Roosevelt, these bonds, these second mortgage fives of which you have spoken, and which seemed to have such great value in Wall Street, were bonds issued after some $500,000,000 or $600,000,000 first mortgage bonds had been already issued?

Mr. Lindabury, what was the bonded indebtedness of the Steel Corporation at the time these second mortgage bonds were issued? I want to be correct about it.

Mr. LINDABURY. I do not remember the figures.

The CHAIRMAN. It was over $600,000,000, was it not?

Mr. REED. About $300,000,000.

The CHAIRMAN. There were about $320,000,000 of Mr. Carnegie's.

Mr. LINDABURY. That is the first.

Mr. YOUNG. There were $304,000,000 of Mr. Carnegie's.

Mr. LINDABURY. Did you ask as to the first and second—all the bonds?

The CHAIRMAN. I want the bonded indebtedness of the Steel Corporation at the time these bonds were issued.

Mr. LINDABURY. You mean before the issue of these?

The CHAIRMAN. Yes.

Mr. LINDABURY. My recollection is that it was $350,000, but I am not at all distinct in that recollection. I think the figures are easily getatable.

The CHAIRMAN. We can find it. I am advised that it was $450,000,000.

Mr. YOUNG. It will appear in the reports of the Steel Corporation.

Mr. ROOSEVELT. Have you asked me any question, Mr. Chairman?

The CHAIRMAN. No; I was trying to get at the bonded indebtedness. I want to be correct about these facts. Excuse me, Col. Roosevelt. Mr. Schwab, do you remember the amount of the bonds that Mr. Carnegie received for his share in the Steel Corporation?

Mr. ROOSEVELT. Are you asking me?

The CHAIRMAN. No; I am asking Mr. Schwab.

Mr. SCHWAB. $304,000,000.

The CHAIRMAN. Received by Mr. Carnegie?

Mr. SCHWAB. Yes; the Carnegie Co. Those were first-mortgage bonds—first-mortgage collateral bonds.

The CHAIRMAN. What other bonds were there?

Mr. SCHWAB. Then there were some subsidiary company bonds, $20,000,000 or $25,000,000. The exact amount I do not remember. Then they issued these two hundred and odd millions, Mr. Lindabury, of bonds in exchange for stock, but what it was I have no definite knowledge of.

Mr. STERLING. Was not that $195,000,000?

Mr. SCHWAB. Something like that. That is about the statement.

The CHAIRMAN. Mr. Herbert Knox Smith has made a report in which he states that the actual intrinsic value of the United States Steel Corporation at the time these bonds were issued was about $700,000,000. In the event of or in the case of a forced sale a bonded indebtedness of $400,000,000, besides the other charges against it, would at least practically absorb all of the tangible value. If Herbert Knox Smith's report is correct, as Mr. Schwab stated yesterday on the stand, these second-mortgage bonds were not supported by tangible property; they were practically a promise to pay. Did either one of these gentlemen explain to you that there was no tangible actual value behind these second-mortgage bonds, and that the $20,000,000 or $30,000,000 of Tennessee Coal & Iron stock, although not current in the Street, had behind it, according to the testimony introduced before this committee, between $150,000,000 and $250,000,000 worth of property?

Mr. LINDABURY. I wish to object to that. I think it does not correctly recite the report of Mr. Smith.

The CHAIRMAN. The objection is overruled.

Mr. ROOSEVELT. Mr. Stanley, of course no such matter was mentioned to me or discussed before me, and, of course, you do not want me to answer some hypothetical statement based upon what Mr. Smith said and what Mr. Schwab testified.

The CHAIRMAN. Oh, no.

Mr. ROOSEVELT. Or others. I will only say this: It was a matter of common notoriety that the Steel Corporation securities at that time possessed an immense value immediately realizable; that the Tennessee Coal & Iron property did not; and the transactions in the securities mentioned immediately after what we did proved what I have said; for whatever may be the facts as you now mention them to me, at that time the Tennessee Coal & Iron Co. did not have a value that you could turn into anything tangible, and the Steel Corporation securities possessed an immense value which could be immediately turned into almost anything that was tangible. That was the reason why people gained instant confidence in the threatened companies when they got those securities behind them.

The CHAIRMAN. I understand. They explained that in detail, that here was a crisis, and a crisis, I believe you say that the Government had been attempting to alleviate—strained conditions here—that had puzzled financiers for some weeks. The Federal Government had furnished quite a sum of money to these bankers, I believe.

Mr. ROOSEVELT. It had.

The CHAIRMAN. Do you remember how much?

Mr. ROOSEVELT. I do not remember, but it had furnished sums of money to banks all over the country.

The CHAIRMAN. $25,000,000, I believe. That had failed to stop this condition, to allay this panic entirely. I say, that allayed the panic at the time, did it?

Mr. ROOSEVELT. No.

The CHAIRMAN. It did to a great extent, I believe.

Mr. ROOSEVELT. Oh, yes. During the panic there was crisis after crisis, and we would meet each crisis and stop it for a moment, and then it would go right ahead again. Then we would meet it and stop it for a moment—the effort being to meet each fresh outbreak of violence and stop it until time worked in our favor and the people got back their heads.

The CHAIRMAN. Now, after Mr. Morgan and the United States Steel Corporation took this panic in hand and stopped these crises by the absorption of the Tennessee Coal & Iron Co., were there any returns of this trouble?

Mr. ROOSEVELT. None as serious. We had to keep close watch on the situation for a number of days.

The CHAIRMAN. Did Mr. Frick and Mr. Gary advise you that no bank in the city of New York, no stockbroker in the city of New York, had ever said or ever intimated that the absorption of the Tennessee Coal & Iron Co. by the Steel Corporation was necessary for its salvation financially?

Mr. LINDABURY. I object to that question as without any basis in the evidence before the committee.

The CHAIRMAN. The objection is overruled.

Mr. ROOSEVELT. They never said anything of the kind to me.

The CHAIRMAN. Did they give you the impression at any time that there was no bank in trouble, really, but that it was a stock broker who had been gambling in Tennessee Coal & Iron stocks, or, at least, who had been buying and selling them on margin—down in my country we call it by an uglier name, but I am polite in New York—borrowing money on them?

Mr. ROOSEVELT. You do not hurt my feelings. [Laughter.]

The CHAIRMAN. I quite agree with you, Colonel. Did they advise you that a certain wine merchant by the name of Kessler had been kiting not this whole stock, but the part of it that honest men could not keep off the Street, just a loose end of it; that the majority of it was tied up, but that the free stock was being gambled in here in Wall Street, and that Kessler and Schley, a stock broker and a wine merchant, had gotten in trouble, where they had to sell and to sell out their colleagues without their knowledge of the real condition, and that what was bound to happen was that men like Mr. L. C. Hanna, Mr. Oglebay, Mr. Topping, and the rest of them, were fighting in the endeavor, using their money and offering their securities, to prevent the absorption of this company by the United States Steel Corporation, but that Kessler and Schley were in such a condition that if these stocks were not turned over to the United States Steel Corporation Schley and Kessler would probably go to the wall; and that the real fight was not to save New York, but to save two stock jobbers in New York?

Mr. LINDABURY. I object to that question.

The CHAIRMAN. Or any intimation of that?

Mr. LINDABURY. I object to the question.

The CHAIRMAN. The objection is overruled.

Mr. LINDABURY. As misreciting the evidence.

The CHAIRMAN. All right, sir. We differ about that. The record is with me.

Mr. ROOSEVELT. You say, did they advise me to that effect? No such advice was tendered me, and no allusion to anything that you have said was made. I may have at that time heard the name of Schley, although I am not certain about it; but I certainly never heard the name of Kessler until this moment.

The CHAIRMAN. I am neither a prophet nor the son of a prophet, Col. Roosevelt, but more than a year ago I made the statement that if you ever were good enough to tell us about this, as you have to-day, you would say just what you are saying now, that you did not know and were not advised about those things. But that is to the side. You spoke——

Mr. ROOSEVELT. Mr. Stanley, your reputation is such that I know you do not read anything into my statements beyond what I have said.

The CHAIRMAN. Not a word.

Mr. ROOSEVELT. I have simply told you that no information of the kind was proffered me.

The CHAIRMAN. Col. Roosevelt, you say they told you that it would not increase their output, their control of finished and semi-finished product, over 4 or 5 per cent. Did I understand you correctly?

Mr. ROOSEVELT. I would be unable to say whether they used the words "output" or "finished product." Exactly what was the expression that I used in my letter to Mr. Bonaparte as to the proportion of the holdings?

Mr. BARTLETT. "Control," I think it was.

Mr. ROOSEVELT. The statement was made generally that their policy had been to have less than 60 per cent of the total steel holdings in the country. I am a little doubtful. You see it is four years ago, Mr. Stanley. My memory is that they said this would not increase their holdings to more than 60 per cent; and that some other information at the time was given me to the effect that it would change it from 58 to 62 per cent, but the difference was trival.

The CHAIRMAN. Four or five per cent?

Mr. ROOSEVELT. Four or five per cent; something like that.

The CHAIRMAN. Was it your impression from what they said that they were buying some steel mills in Alabama belonging to the Tennessee Coal & Iron Co.—plants?

Mr. ROOSEVELT. That they were buying the Tennessee Coal & Iron plant.

The CHAIRMAN. Plant. Did they say anything to you about the ore properties that they were buying at that time?

Mr. ROOSEVELT. They did not go into detail at all.

The CHAIRMAN. Your impression was that it was the plant they were buying, and that the measure of their increased power over the iron industry could be ascertained by the proportionate output of the Tennessee Coal & Iron Co. and the United States Steel Corporation at that time?

Mr. ROOSEVELT. I am not sure that I formulated any impression as distinctly as that. I simply accepted that at that time.

The CHAIRMAN. To make myself clear: If they had advised you that the purchase of the Tennessee Coal & Iron Co. would have increased their output between Ashland, we will say, and El Paso, Tex.—that region—80 or 90 or 75 or 60 per cent, something like

that, would you have even in this hour of stress and peril favorably considered such an absorption?

Mr. ROOSEVELT. You are now putting a hypothetical question, Mr. Stanley.

The CHAIRMAN. Yes.

Mr. ROOSEVELT. Of course, I can not answer such a question as that, because I would have to imagine every kind of condition which I do not know. I do not know anything about it. You are stating a certain condition that I do not know about. But let me state this to you: Now, it is four years, or nearly four years, after what occurred. What has been done in developing those properties now and what those properties represent now has almost nothing to do with what those properties represented then. I was dealing then with what was the case in November, 1907, and not in August, 1911.

The CHAIRMAN. Col. Roosevelt, I quite agree with you that the Tennessee Coal & Iron properties—that is, the plants, the mills, and the like—are more extensive now, probably, than they would have been had they remained in the hands of a company of $35,000,000 or $40,000,000 capital. That is highly probable, on account of the enormous resources of the United States Steel Corporation, and were I looking at this great business from the viewpoint of the prosperity of towns like Gary, Ind., and Ensley and Birmingham, or the situs of any other steel plant, I would regard my time as probably wasted. But I am, as far as I am concerned, in my humble and very poor way, as far as my personal abilities are concerned, looking at the absorption of the entire iron industry by a single concern and the elimination of every other individual or corporation who should endeavor to go into it, and the enervation and destruction of those now in it who should attempt to incur the hostility or fail to obey the will of the United States Steel Corporation in such matters as the cutting of prices. I am inclined to believe that there is no evil, not even the failure of a bank in Wall Street, so fraught with ultimate injury to the public as the control of a great industry like the iron industry by a single corporation without regard to the prosperity of particular communities.

My questions along this line are predicated upon that idea. Now, if you had been advised at that time, Col. Roosevelt, as to the ore conditions, as to the holding of the raw material, I am quite sure it would have interested you greatly, because I believe we are both conservationists. [Laughter.] Did they advise you at that time as Mr. Herbert Knox Smith has reported?

Mr. ROOSEVELT. He did not report that he advised me at that time.

The CHAIRMAN. No; I am quoting his report now, that the United States Steel Corporation owned 75 per cent of the Lake Superior ores, and that there were but two great ore regions that are now available in the United States and that the other was the Alabama region. Was anything said about that in this conference?

Mr. ROOSEVELT. Mr. Stanley, I have already explained that, you understand.

The CHAIRMAN. I understand.

Mr. ROOSEVELT. That nothing of that kind was touched on in the conference at all.

Mr. LINDABURY. I think, Mr. Chairman, that you misconceive the report of Mr. Smith.

The CHAIRMAN. Col. Roosevelt, it has been stated by Mr. Smith that this is the case. He also states that he has been investigating this question for some years. Mr. Gary states that prior to the absorption of the Tennessee Coal & Iron Co., if I am rightly advised, the Steel Corporation expended several hundred thousand dollars in furnishing accurate and detailed data as to all these matters to the Bureau of Corporations; so that the Bureau of Corporations was in possession at that time, as they say, of facts upon which they could make this report, and I wish to call your attention to it.

The dominating position in the ore industry enjoyed by the Steel Corporation through this great ownership of ore reserve is heightened because of its very marked degree of control of the transportation of ore in the Lake Superior district. The corporation owns two of the most important ore railroads, the Duluth & Iron Range Railroad, and the Duluth, Missabe & Northern Railway. The ore rates on these railroads are about 1 cent per ton-mile. Their operating expenses are very low, that of the Duluth, Missabe & Northern, in 1910, being below 30 per cent of gross earnings as against an average of 66 per cent for all the railroads of the country. The net earnings of these ore railroads, which are chiefly from the ore traffic, are phenomenal. This has the practical effect of reducing the Steel Corporation's net cost of ore to itself at upper Lake ports and, on the other hand, of increasing that cost to such of its competitors as are dependent upon the corporation's railroads for transportation.

Did Mr. Smith ever advise you of that fact at a prior time, or did any other member of the Bureau of Corporations—prior to the time that Mr. Frick and Mr. Gary visited you?

Mr. ROOSEVELT. Did Mr. Smith ever advise me about this report of his that has just been published?

The CHAIRMAN. No, sir; about that condition of affairs existing in the Lake Superior region about the ore holdings of the United States Steel Corporation. Did he advise you while you were President and before Mr. Gary and Mr. Frick came to see you about the condition of affairs that he knew the details set forth in this report?

Mr. ROOSEVELT. He certainly never made any such report in full to me. I should doubt if he ever told me anything about the Steel Corporation at all. My memory is that he started to investigate it by my direction while I was President. My direction may have been made at the suggestion of himself or Mr. Garfield, but that I can not say; and my memory is that he started to investigate it while I was President, and my belief is that he had not carried on those investigations to a point that enabled him to make any report to me while I was President. He was a very busy man, and investigating a great number of subjects, and reporting to me from time to time on a great many of them. I used Mr. Smith and Mr. Neall, of the Bureau of Labor, to investigate a great number of different matters, but my present memory is that he never reported to me anything about the Steel Corporation.

The CHAIRMAN. Your memory is quite correct there, because Mr. Smith says the same thing.

Mr. ROOSEVELT. He does? I am glad to be corroborated.

The CHAIRMAN. You do not need any corroboration, I am sure.

Mr. LINDABURY. It does not seem to be information the chairman is seeking.

The CHAIRMAN. Col. Roosevelt says he spoke from memory, which is the reason I made that suggestion.

Had any other officer of the Government ever called your attention to this condition of which Mr. Smith now complains?

Mr. ROOSEVELT. I believe not. The reason I say I believe not is that my attention had been called to a similar traffic condition in connection with the coal roads, and it had been a matter of considerable deliberation and discussion, and finally action by the administration; but I think that if the condition you set forth about those railroads, the ore roads of Lake Superior, had been called to my attention I would remember it. I think so.

Mr. LITTLETON. Col. Roosevelt, I understand from your answer that you were dealing distinctly with a panic, and not at that time considering the investigating of ore reserve or particularly having regard for anything else except the panic conditions.

Mr. ROOSEVELT. That understanding is correct. I have already stated in detail my attitude, in what I read to you here this morning.

Mr. LITTLETON. It appears from the evidence of Mr. Schley, which I will attempt to state accurately, that the Tennessee Coal & Iron stock, which was in the Street, to use a general phrase, or that part of it which was the basis of loans, or entered in as collateral, was in banks and trust companies, and constituted a part of 30 per cent of the collateral underneath the loans. In other words, Mr. Schley says that they put up 70 per cent of standard securities, and they then put up industrials, amongst which industrials would be the Tennessee Coal & Iron stock.

Did Mr. Gary or Mr. Frick state at that time that there was any trust company or bank which had in it so much of Tennessee Coal & Iron as collateral, that unless it was exchanged for something that was salable in the market, the likelihood was that the bank or trust company mentioned would fail?

Mr. ROOSEVELT. As I have said to Mr. Stanley, I can not be sure that they used the words "bank," or "trust company." Can you give me a copy of the letter I sent? Will you just read the opening part of that letter yourself that I sent to Mr. Bonaparte?

Mr. LITTLETON. You say:

> Judge E. H. Gary and Mr. H. C. Frick, on behalf of the Steel Corporation, have just called on me. They state that there is a certain business firm, the name of which I have not been told, but which is of real importance in New York business circles, which will undoubtedly fail this week if help is not given.

Is that the extent to which you wish to have it read?

Mr. ROOSEVELT. That is the extent; yes.

Mr. LITTLETON. It seems from that letter—and that undoubtedly would record the freshest recollection you had about it—that they had told you a certain business firm would fail within a week if it did not receive help.

Mr. ROOSEVELT. Yes.

Mr. LITTLETON. Do you recall that they included in it [illegible] ence to any then trust company or banking institution, or was that information received by you prior to their visit to you?

Mr. ROOSEVELT. I had certainly received that information prior to their visit to me. I had also received the information that there was at least one trust company which would fail if a certain firm failed. That is, whether the firm failed or the trust company, it would have the same ultimate result.

Mr. LITTLETON. Did you get the impression—of course you were acting rapidly and taking as quick steps as you could to deal with the situation; but did you get the impression from Judge Gary and Mr. Frick that the trust company, or financial institution we will call it, was being weighed down with too much of the Tennessee Coal & Iron stock, and that that was the difficulty which they were attempting to relieve by the exchange for the steel bonds?

Mr. ROOSEVELT. I got the impression that it had enough Tennessee Coal & Iron securities so that if for those securities the Steel Corporation's securities were substituted, the situation would be saved.

Mr. LITTLETON. That applied to whatever we may call it, either trust company or financial institution——

Mr. ROOSEVELT (interposing). Mr. Littleton, just let me say one thing, which, of course, you know, that often it is not the amount of securities held but the character of the man back of them that, in a panic, is conclusive as to the likelihood or unlikelihood of a corporation weathering the panic.

Mr. LITTLETON. Of course, Mr. Schley has given us the other side of the details of the operations with the loans, and so forth, from his firm, which, of course, were not communicated to you in detail at the time. The point I am getting at is——

Mr. ROOSEVELT (interposing). I do not quite understand.

Mr. LITTLETON. Mr. Schley, of the firm of Moore & Schley, who were the holders of a great amount of their Tennessee Coal & Iron Co. stock, has testified in regard to the way the stock was in the loans in various banks, and I understand perfectly well that all of that could not have been known to you at the time.

Mr. ROOSEVELT. Mr. Littleton, it could not have been known to me; and, more than that, if I had been told that after the company had been saved that two or three years later it would say it did not mean to save it, I would not have been at all surprised.

Mr. LITTLETON. The real issue I have in mind, at all events, was to see how accurately and faithfully the situation was represented to you.

Mr. ROOSEVELT. Yes.

Mr. LITTLETON. That is what I am driving at.

Mr. ROOSEVELT. Yes.

Mr. LITTLETON. I am endeavoring to find out how accurately and truthfully the real situation in the Street was represented to you, and how truthful it was, that it was necessary to have these exchanges of stock in order to save that situation.

Mr. ROOSEVELT. Now, Mr. Littleton, I can answer you right away that I was then thoroughly satisfied, and the after events made me even more thoroughly satisfied, that what was done was necessary to save the situation; that the panic would have spread and very great disaster occurred if exactly what was done had not been done. A good many of the questions, Mr. Littleton and Mr. Stanley, that you are offering are requiring me to search the hidden domain of motive of Mr. Frick and Mr. Gary. I never supposed that they were going to take action that would be damaging to themselves, for I would have been exceedingly sure they would have gotten no gratitude for taking such action if they had taken it. My feeling toward them was—I can illustrate it by two similies. I have spoken of a sailboat already. If it is necessary to haul on a rope on a boat in order to

prevent the boat from going over, I welcome the help of any husky individual that hauls, and I do not care whether he is hauling from altruistic motives about me or to save his own skin. I want him to pull hard on the rope. That is all I want.

Again, if a fire is coming down a row of buildings, I expect the man on the end of the row to join in and help put out the fire farther up the row, partly, I hope, because he feels kindly toward the threatened people, and also because if the fire spreads it will burn his own building. But I do not ask him to analyze the extremely mixed motives which made him come forward and help put out that fire. I want him to help put out the fire. That is all.

Mr. LITTLETON. Taking the first simile, Col. Roosevelt, the only apprehension that the evidence would create in the minds of any persons hearing and reading regarding the pulling on the rope would be this: Whether or not the pulling was on a rope which was actually attached to the sail or whether it was one of the guy ropes attached to the mast. [Laughter.] And if you were to pull the wrong rope, the question is not what you would have done, not what you did, as to whether your motives were good, because I would not question those for a moment. My question is as to whether or not you were rightly advised on the situation and encouraged with them to pull a rope which was really attached to the sheet against which the storm was blowing.

Mr. ROOSEVELT. Mr. Littleton, no man during the storm was capable of making any such error as that of which you speak. Not until all danger was passed would any human being of knowledge have ventured to suggest that we were not pulling on a rope that was attached to the sail. The supposition was preposterous. We were pulling on a rope that we thought was attached to the one sail that was in danger. No human being who knew the facts doubted it, and the result showed it so clearly that it is not possible to be in error about it.

Mr. LITTLETON. I would not have added this, but you have not seen Mr. Schley's testimony, of course——

Mr. ROOSEVELT. No.

Mr. LITTLETON. He says, Col. Roosevelt, that he and Mr. Kessler owned 53,000 shares of Tennessee Coal & Iron Co.'s stock individually, on which they had borrowed money from the firm of Moore & Schley. He said that there were about five or six million dollars of Tennessee Coal & Iron stock sprinkled through the collateral which Moore & Schley had put up in various trust companies and banks. The balance of the stock was owned by individuals who had bought it outright and were holding it for development of the property. When they said to you that it was necessary, in order to save the situation, that they should exchange Steel bonds for stock of the Tennessee Coal & Iron Co., it then became naturally a question as to whether an actual examination of the situation in Moore & Schley supports the validity of their statement, and that is the real purpose of the inquiry I make.

Mr. ROOSEVELT. I could not say it was a physical impossibility for me at the time to make any such examination——

Mr. LITTLETON (interposing). Quite so.

Mr. ROOSEVELT. But what I can say is this: That, disregarding all matters of detail, the situation was so critical that it was liable to

break at any moment until the action taken was taken, and the instant it was taken an enormous improvement for the better occurred; and, as said in the poem of Mr. Emerson, with which you are so well acquainted—

> If the red slayer think he slays,
> Or if the slain think he is slain—

it matters not.

My object was to restore the confidence, and as long as the people thought they had a right to be confident and achieve my object, we got it done.

Mr. Stanley, may I say, just one second, in connection with what you spoke of on the general trust question and of this particular corporation—the Steel Corporation—that I know you will not accept silence on my part as indicating anything as to my attitude on the general trust question, as you know it. I have stated again and again while I was President in messages to Congress, which were not always received with as much enthusiasm as they were written, and since then in articles and features, just what I have felt the attitude of Congress toward these great corporations should be, and, as you know, I believe in a far more drastic and far more thoroughgoing supervision and control over them by the National Government than we have yet achieved. I make that statement simply so there shall not be any misapprehension, as I am sure you do not misapprehend my position.

The CHAIRMAN. I am sure that I was interested by your ardor in behalf of conservation. The only conservation of iron ore of which I can conceive is the equitable distribution of this property among a great number of people, because in that way only, in my judgment, can the matter be properly handled. I was firmly convinced that had you been advised that this monopoly is, as Mr. Smith has said, an ore monopoly, and as Mr. Schwab has said, the secret of the fact that there will be no new steel concern of any magnitude, because the great concerns now have all the ore, or practically all of it, and they are enabled to successfully prevent any other concern from going into business—I was certain that had you been advised of that fact and had you also been advised that the Tennessee Coal & Iron Co. owned five or six hundred thousand acres and owned 700,000,000 tons of ore, that the entire extent and entire volume of them were greater than all the holdings of the United States Steel Corporation, that one was in the South and the other was in the North, and that the absorption of the Tennessee Coal & Iron Co. made the invading of a region which hitherto it had never entered in the production of pig iron, and the ultimate destruction not only of existing competition, but of possible competition for all time to come from any new company—that you would have considered long and acted with the greatest hesitancy, even if such action had been necessary to save every bank in New York.

Mr. ROOSEVELT. Mr. Stanley, of course you must not understand me as assenting to the provisos which you make in your general statement.

The CHAIRMAN. Of course not. I am simply giving you my view.

Mr. ROOSEVELT. I do not know exactly what the conditions to which you allude are now, nor whether they are or are not different from what they were four years ago. On another occasion I should

be very glad to have spoken with you on the remedy you propose, and as to what I regard as its entire inadequacy. I am sure you will not achieve your purpose by splitting up the big corporations, as I have stated again and again in messages to Congress. While something can be done along that line, in addition, and to my mind, mainly, the work must be done by our National Government acting as the Government of Germany has, I think, in the potash matter acted—by actually, in the interest of all the people, interfering and exercising a degree of control over a big corporation which it would be wholly unnecessary to exercise over a corporation that has no monopolistic taint.

This is an argument aside, but I think I may say you started it. I just wanted to have my attitude understood.

The CHAIRMAN. It is very interesting to me. But I wish to say that I am not of the opinion that the dissolution of the United States Steel Corporation into its constituent parts is an adequate remedy.

Mr. ROOSEVELT. Quite right.

The CHAIRMAN. I believe that over and beyond that we must divorce absolutely and forever the United States Steel Corporation from every common carrier on the continent. We must by law force the common carriers to charge the United States Steel Corporation just what they charge other people. We must destroy a rebate which is against the spirit of the law, as well as a rebate which is in violation of the letter of the law. If that is done, and if in addition——

Mr. ROOSEVELT (interposing). Judge Landis tried to do that, and failed. [Laughter.]

The CHAIRMAN. Yes. I would go further than that. By such legislation as I believe is constitutional I would prevent a director in the United States Steel Corporation from being a director in 20 railroads until to-day the capital of the railroads upon which this corporation's directors, the finance committee, and the like sit, is many times greater than its $2,000,000,000 capitalization. I would provide by law that no man should be a director of a concern which is a producer and a shipper and of a concern which is a common carrier. In other words, I believe that the absolute separation of interlocking directors in common interests, in subtle rebates, and other devices by which one man can control the carriage of his rival's product, is the most acute and the most vital question which this committee will be called upon to decide and which we have not as yet entered into to any extent.

Mr. ROOSEVELT. Mr. Stanley, of course I do not wish to commit myself offhand as to details. With the general purpose of what you propose I am in hearty sympathy, and I should go further still in exercising direct control over these big corporations. And allow me to say, sir, you have known them at some distance. I have lived near them, and I know them well.

The CHAIRMAN. I am more than proud, Mr. Roosevelt, to know that my opinion in that respect has met with the approval of so high an authority.

Mr. LITTLETON. Col. Roosevelt, there are just one or two questions I want to ask on the point we are all engaged with here. You just now said this letter did not intend to advise Mr. Frick and Mr. Gary to take the action they proposed, and you thought no public duty of

yours required you to interpose any objection. That was your position then and your position now?

Mr. ROOSEVELT. Yes.

Mr. LITTLETON. I call your attention to what it is only necessary to call your attention to, because you undoubtedly have it in mind, that the Sherman antitrust law, whether wisely or unwisely remains to be seen, provides in section 4 that the Attorney General or the district attorneys could, if they chose to do so, invoke the courts of equity to enjoin certain powers.

Mr. ROOSEVELT. Certainly.

Mr. LITTLETON. And that remedy has been held to be an exclusive remedy; that is, they are the sole authorities who could invoke the courts of equity to enjoin such powers?

Mr. ROOSEVELT. Yes.

Mr. LITTLETON. I suppose you naturally understood Mr. Gary and Mr. Frick were coming to you because of a distressing situation in New York, because if they undertook to do this thing without apprising the Government fully what they intended to do, and they were enjoined in the proceeding by the Attorney General, it would make the difficulty all the worse.

Mr. ROOSEVELT. My own belief was—of course again I am now giving my impression of their acts, Mr. Littleton.

Mr. LITTLETON. Yes.

Mr. ROOSEVELT. But my belief was that they knew that even if I did not direct an injunction against them, that if I merely stated that it ought not to be done, they could not do it.

Mr. LITTLETON. Yes. In other words, the adverse attitude of the Government, whether in a distinct direction to your Department of Justice, or the announcement of your position——

Mr. ROOSEVELT. Would have been conclusive against it.

Mr. LITTLETON. Would have been conclusive against it.

Mr. ROOSEVELT. As I said there, my responsibility was complete and absolute. I can not state it any stronger, Mr. Littleton.

Mr. LITTLETON. And that you took that responsibility knowing that they had come there for the purpose of ascertaining the attitude of the Government, and if it were against them whether it was a distinct direction to the Deparment of Justice or simply a pronouncement of your opposition you felt it would end the proposed consolidation?

Mr. ROOSEVELT. It would end it at once.

Mr. LITTLETON. Yes.

Mr. ROOSEVELT. Of course they came to me because I was President.

Mr. LITTLETON. Yes.

Mr. ROOSEVELT. They would not have come to me as a private individual.

Mr. LITTLETON. And they came also, I suppose, because they knew you had this matter in hand and were in constant touch with New York, and were engaged with all the assistance of the Government to save the situation?

Mr. ROOSEVELT. Undoubtedly.

Mr. STERLING. May I ask a question?

The CHAIRMAN. Certainly.

Mr. STERLING. Mr. Roosevelt, you acted at that time on the information you got from Mr. Gary and Mr. Frick and the information you had as to the situation in New York.

Mr. ROOSEVELT. Precisely.

Mr. STERLING. Have you acquired information since then that caused you to think that the action which you took was unwise or improper?

Mr. ROOSEVELT. Every particle of information I have had since has convinced me not only that my action was absolutely wise and absolutely proper, but that it would have been well nigh criminal for me, from the standpoint of the representative of the people of the United States, not to have done exactly what I did. I can not state that too emphatically.

Mr. STERLING. That is all, Mr. Chairman.

Mr. YOUNG. Mr. Chairman—Col. Roosevelt, just one other question along that line. We have had certain hypothetical questions, and I want to put one that bears that nature a little, but I will try to keep within the record and not go outside of it. If, when you took that action, it had appeared to you, as it has appeared in testimony to this committee, that the firm most in danger was a firm of bankers and brokers, Moore & Schley, that they owed the banks throughout the country, and mainly in this city, something like $35,000,000, that while, as Mr. Schley testified, he did not know he would have failed if this action had not been taken, he thought he had taken risk enough, and if the effect of the action to which you acceded had been to place $12,000,000 in the hands of that firm, so that they paid off within a few days nearly one-third, or perhaps more than a third, of their indebtedness, would that confirm your judgment that you had acted wisely or otherwise?

Mr. ROOSEVELT. Of course it is a hypothetical question again.

Mr. YOUNG. Yes.

Mr. ROOSEVELT. Of course it would have confirmed it.

Mr. YOUNG. Yes.

Mr. ROOSEVELT. I never had any doubt as to the wisdom of my action—not for a moment. And if Mr. Schley says that he does not know that he would have failed without the action being taken that was taken, then he is the only man in New York who does not know it. [Laughter.]

Mr. YOUNG. I would say that the statement that I have made is exactly what has been sworn to before us as to the effect of that action.

Mr. BARTLETT. Col. Roosevelt, I understood you to say that you got the impression from the statements made that not only were certain bankers and trust companies, but also the saving of the Tennessee Coal & Iron Co., and, eventually, probably, the saving of the Steel Corporation was involved in this matter.

Mr. ROOSEVELT. Yes; when I say the saving of the Steel Corporation, I do not mean that there would have been a specific assault upon it; only if the panic grew strong enough, everything would go down.

Mr. BARTLETT. Did you understand that there was a specific assault upon any particular banker or any particular corporation being made at that time in New York?

Mr. ROOSEVELT. I did, sir; I would rather not state the names—it is unnecessary.

Mr. BARTLETT. I do not ask for the names.

Mr. ROOSEVELT. But two big trust companies were named to me, and one of them in connection with Moore & Schley, and, as a matter

of fact, I didn't know whether Mr. Gary and Mr. Frick referred to Moore & Schley or to one of these trust companies.

Mr. BARTLETT. You used the word "assault." You used that in the sense that it is used in New York banking circles, that they were being hammered?

Mr. ROOSEVELT. No; I used the word assault simply expressing the idea expressed in every paper in every State of this Union at the time of a panic. Instead of saying an assault I would say a threatening or a "run upon"; that people get frightened and they suddenly start a run on one bank. It may be a much better bank than another that they do not start a run on, until they start the run on it. But when they begin to start the run on that bank then that is the bank in danger. And I meant that in the panic, in the unrest, the fright, the lack of self-confidence, the tendency of men to completely lose their heads and suddenly go insane, that there were certain companies, trust companies or banking companies, or whatever they were, which at the moment were threatened with having that fear and distrust translated into active action against them.

Mr. BARTLETT. Then you probably mean that the trust company and the individuals, that their loans were being called. Do you mean that as one of the means of assault?

Mr. ROOSEVELT. One of the ways was that the depositors making a run upon it.

Mr. BARTLETT. Now, do you know that the only one of the trust companies in New York that were supposed to have or did have a quantity of the shares of the Tennessee Coal & Iron Co.'s stock, although a run was made upon them, that they did weather the storm, and about the 4th of November, about the same day on which this transfer was made, a statement was made by a committee of the trust companies of New York that the assets of that trust company had been examined and the assets were found to be ample to meet all demands.

Mr. ROOSEVELT. A public statement?

Mr. BARTLETT. Yes.

Mr. ROOSEVELT. Yes. I do not remember the details at all. I know perfectly well that the most cursory examination of panics will show anyone that just such statements as that are sometimes followed by runs that smash up institutions.

Mr. BARTLETT. Yes. Well, Col. Roosevelt, you and your Secretary of the Treasury had undertaken to help out the situation in New York?

Mr. ROOSEVELT. We had.

Mr. BARTLETT. Well, some 10 days prior to the visit of Judge Gary and Mr. Frick to you, the Secretary of the Treasury had deposited in the banks of New York some $25,000,000 to relieve the situation, is that not true?

Mr. ROOSEVELT. I forget the details, but I have no question it is substantially accurate. I forget the details.

Mr. BARTLETT. And you remember, also, the statement was made, and it is a fact, that the Morgan-Rockefeller interests had placed at the disposal of the banks, along about the 20th day of October, some $60,000,000 to relieve the situation, also?

Mr. ROOSEVELT. Well, I remember that it was widely heralded that Mr. Morgan was taking an active part in the effort to save the situa-

tion. I believe that other big financial men were mentioned in the same connection. I forget the details of the action they were reported as taking.

Mr. BARTLETT. And was not the impression created in your mind that by the action of the Secretary of the Treasury, through your direction, that this action on the part of the Morgan-Rockefeller interests in placing this $60,000,000, or whatever sum it was, at the disposal of the banks had relieved the situation and had checked the panic?

Mr. ROOSEVELT. That impression was conveyed very strongly to my mind, and it did relieve the situation and it did check the panic; but there was ground to believe that the panic was recrudescent, that it was growing again, very strong.

Mr. BARTLETT. And you very properly—I have no criticism to make upon it—congratulated your Secretary of the Treasury and these gentlemen on the admirable manner in which they had handled the situation, did you not?

Mr. ROOSEVELT. I did.

Mr. BARTLETT. And the publication of that statement of yours was about the 26th of October, was it not?

Mr. ROOSEVELT. It was.

Mr. BARTLETT. It was before this visit of Mr. Frick?

Mr. ROOSEVELT. Before the visit of Mr. Frick. That is, to my memory it was before.

Mr. BARTLETT. Yes; that is correct. So when these gentlemen came to see you with a view to relieving the situation by an exchange of the Tennessee Coal & Iron Co.'s stock for the bonds of the United States Steel Corporation, these various efforts which you had made, and your Secretary of the Treasury had made, and the bankers of New York had made, had succeeded in checking the panic.

Mr. ROOSEVELT. At that time; yes, sir. Mr. Bartlett, the battle was on. The administration won, in working in aid of the busy men who were trying to help out the situation. We would win partial victory after partial victory, and if I, after any one of those partial victories, had sat supinely down and thought the victory was won, we would have lost.

Mr. BARTLETT. I have no doubt you are of that impression, Col. Roosevelt.

Mr. ROOSEVELT. I am. It is not merely an impression. It is as nearly absolute knowledge as anything outside of mathematics can be.

Mr. BARTLETT. I mean you acted under the facts at the time?

Mr. ROOSEVELT. Yes.

Mr. BARTLETT. I have no doubt about that. With reference to the proposition of more drastic control of these large corporations, Col. Roosevelt, you seem to have won Judge Gary over to your side, have you not?

Mr. ROOSEVELT. I hope so.

Mr. BARTLETT. He never made any suggestions prior to this investigation that he was of that opinion, did he?

Mr. ROOSEVELT. Not that I remember. You are now asking me, naturally, Mr. Bartlett, something that I have not thought of before. I have a vague memory that either Judge Gary or some other gentleman of like prominence did, very strongly, in some address prior to this occasion, back up the position that I have taken. I think so.

Mr. BARTLETT. Judge Gary's suggestion was that as the Sherman antitrust law had remained dormant for nearly 20 years, and had never been sought to be enforced so drastically as it had been in recent years——

Mr. ROOSEVELT. As it had been under my administration.

Mr. BARTLETT. Well, I will accept that.

Mr. ROOSEVELT. Yes.

Mr. BARTLETT. I will accept that as a correct statement.

Mr. ROOSEVELT. Yes.

Mr. BARTLETT. And realizing that they either had to encounter Government prosecution or destructive competition, they complied with the law, and they now sought a harbor of safety in the suggestions that you had made to Congress and otherwise.

Mr. ROOSEVELT. Now, Mr. Bartlett, here again, sir, you are asking me to search the domain of motive. You are asking me to give my opinion of Judge Gary's motives.

Mr. BARTLETT. No; I am not.

Mr. ROOSEVELT. I do not know what was in his mind. I do not know whether he was trying to seek a harbor of safety or not. I am as sure as I can be of anything that the course that I advocated repeatedly while I was President, and have advocated repeatedly since, is the proper course for the United States Government, as the representative of the United States people, to take in connection with the control of these big corporations. I am as sure as I can be of anything that that course will ultimately commend itself to the judgment of the people of the United States. I am not speaking of every detail of it, but of it in general outline.

Mr. BARTLETT. To the extent of fixing prices?

Mr. ROOSEVELT. If I had made that suggestion instead of Judge Gary, I fear I would have been accused of socialism. [Laughter.]

Mr. BARTLETT. Do you think, Colonel, you have escaped the accusation?

Mr. ROOSEVELT. If I have escaped the accusation, I should say it was the only accusation I have escaped. [Laughter.] Of course, Mr. Bartlett, you would not want me to try now to give you my views in full on the trust question.

Mr. BARTLETT. I have had some of them as a Member of Congress. [Laughter.]

Mr. ROOSEVELT. Yes. And perhaps I am not violating a confidence when I say there were several Members of Congress who were able to dissemble their gratitude at that time for my statements. [Laughter.]

Mr. BARTLETT. That is all.

The CHAIRMAN. Col. Roosevelt, did you, after Mr. Frick and Mr. Gary were to see you, confer with any of the bankers here in New York or with any of the concerns that were thought to be in danger before taking final action?

Mr. ROOSEVELT. No. There would have been no time for such conference, Mr. Stanley. Either I had to act or not to act then; to make up my mind what I would do and put it through.

The CHAIRMAN. The question is not ingenuous, Col. Roosevelt. I wish again to extend to you the thanks of this committee——

Mr. YOUNG. Excuse me a minute, Mr. Chairman.

The CHAIRMAN. Certainly; I thought you were through.

Mr. YOUNG. No, sir. I would like to inquire, Col. Roosevelt, if, since you took this action, you have received any informaton that indicates to your mind that any misrepresentation of the actual situation was made to you by Messrs. Gary and Frick?

Mr. ROOSEVELT. Any information presented to me, Mr. Young? Do you not think I have answered that already in what I have already said?

Mr. YOUNG. I think perhaps, in effect, but not directly. You have stated that you still felt that you acted wisely, and I wish to say that I agree with you absolutely.

Mr. ROOSEVELT. Believe that I had acted wisely? I felt that the information I had received on the situation here, on all the vital points in which I was concerned, was essentially accurate. The only reason, Mr. Young, I hesitated to answer your question at all was this: It is not necessary for me now, and it was not necessary for me at that time, to form any judgment as to whether the representatives of the Steel Corporation were anxious to get possession of that company, because it would be of benefit to the Steel Corporation, or whether they were only anxious to save the situation caused by the panic. I never found it necessary to try in my own mind to apportion the relative weights of those motives in their minds. But in all essentials the representations they made to me I believed then to be accurate, and on all the information I have had since I believe to be accurate. They were in accord with what I had heard from New York, in so far as they influenced my action and in so far as they affected my judgment. From the public standpoint the events exactly bore out and justified what I had been told and the action I took on what I had been told.

Mr. YOUNG. That answers my question very fully. I asked that simply for the reason that the charge has been made that misrepresentations were made to you, and that you would not have taken the action you did if you had known the actual truth. I am very glad to get this answer.

The CHAIRMAN. Col. Roosevelt, I was on the point of saying that I wish to extend to you the sincere thanks of the committee for your kindness in appearing before them and in answering so fully and completely every question that has been propounded.

Mr. ROOSEVELT. Mr. Stanley, an ex-President is merely a citizen of the United States, like any other citizen, and it is his plain duty to try to help this committee or respond to its invitation, just as anyone else would respond. I thank you for your courtesy, gentlemen.

The CHAIRMAN. This committee will stand adjourned, as it is nearly 1 o'clock, until 2 o'clock, if you wish.

Mr. BEALL. Let us go on.

The CHAIRMAN. The committee will resume its sitting, with you on the stand, Mr. Schwab, in five minutes.

(Recess for five minutes.)

The CHAIRMAN. The committee will resume its sitting. The committee will come to order. Mr. Schwab, will you take the stand?

STATEMENT OF CHARLES M. SCHWAB—Resumed.

Mr. BARTLETT. How long are we going to sit? I have all my arrangements made to go on the 3.34 train.

The CHAIRMAN. If it suits the convenience of Mr. Schwab, we can finish in an hour and a half. I have some rather vital matters I want to ask Mr. Schwab about.

Is it the will of the committee that we adjourn at 1 o'clock and reconvene at 2 o'clock?

Mr. STERLING. Let us go on and finish.

The CHAIRMAN. Mr. Schwab, referring to this letter of May 15, 1899, I believe you said that steel rails could be made at a factory cost of $12 a ton then?

Mr. SCHWAB. I did.

The CHAIRMAN. And you explained here in great detail that they can not be made at that cost now. And I will say when I use the word "cost" in the course of this examination I shall use it with reference to the actual cost of production, without any regard to such overhead charges as bonds, or the expenses of the holding company.

You state, I believe, that the cost now, being in excess of that, is because of the increase in the cost of transportation, the increase in the cost of the raw material, and the increase in the cost of labor?

Mr. SCHWAB. Quite true.

The CHAIRMAN. Those are the only things that have changed conditions?

Mr. SCHWAB. Absolutely.

The CHAIRMAN. What can you make a rail for now—factory cost?

Mr. SCHWAB. My estimate before the Ways and Means Committee placed the cost of making a rail to-day at approximately $21.50.

The CHAIRMAN. That was before the Ways and Means Committee?

Mr. SCHWAB. It was.

The CHAIRMAN. In 1908. I am asking about the cost now.

Mr. SCHWAB. Yes. I think there is very little change from that estimate.

The CHAIRMAN. Well, we will say $21.50.

Mr. SCHWAB. Yes.

The CHAIRMAN. The difference between $12 and $21.50 leaves you——

Mr. SCHWAB. $9.50.

The CHAIRMAN. $9.50.

Mr. SCHWAB. Quite true.

The CHAIRMAN. A ton of rails costs $9.50 more now than then?

Mr. SCHWAB. Yes.

The CHAIRMAN. How much of that increased cost of 40 per cent do you attribute to the increased cost of transportation?

Mr. SCHWAB. I would have to make a very complete analysis of that to refresh my memory, but it is all set forth in that testimony, Mr. Chairman.

The CHAIRMAN. I don't recall it.

Mr. SCHWAB. Yes; it is.

The CHAIRMAN. It may be, but I do not recall that analysis. But I only want a rough estimate, Mr. Schwab. I am not now attempting to hold you down.

Mr. SCHWAB. No, no; I understand.

The CHAIRMAN. To an exact statement. What I want is to get the relative proportions of these various items of increase in cost.

Mr. SCHWAB. Yes. Well, I would have to consider the cost on the transportation of all the raw materials. For example, it takes approximately 4 tons—between 4 and 5 tons—of raw material, to make a ton of rails. Five tons will be nearly right, of raw materials, to make a ton of rails. Therefore an advance of 20 cents a ton on the raw materials would add $1 a ton to the cost of rails, and I should estimate—and this is a mere guess——

The CHAIRMAN. Yes.

Mr. SCHWAB. Because it is a complicated calculation——

The CHAIRMAN. Yes.

Mr. SCHWAB. I should estimate that from $2 to $3 of that cost would be in the additional cost of transportation.

The CHAIRMAN. From $2 to $3 of the increase would be due to increased cost of transportation?

Mr. SCHWAB. Yes; on the finished rails, of all the articles that go into making a ton of rails.

Mr. STERLING. That is the cost of transportation on all things?

Mr. SCHWAB. On all things that go into the making of a ton of rails.

The CHAIRMAN. How much of that $9.50 is due to an increase in the value of the raw material in the ground? I mean the coal, limestone, etc.

Mr. SCHWAB. Yes. Well, I should say that it would be approximately—and these are all approximate figures.

The CHAIRMAN. I understand. I am trying to get it relatively.

Mr. SCHWAB. Between $4 and $5 a ton.

The CHAIRMAN. How much of that increase is due to the increase in the cost of labor over and above its increased production—actual increase in labor cost?

Mr. SCHWAB. Oh, the actual cost per ton for labor——

The CHAIRMAN. Yes.

Mr. SCHWAB. Would probably not be increased over a dollar a ton, for the reason not that wages has increased per day per man but because better appliances have been adopted in that time?

The CHAIRMAN. I understand. Well, now, roughly figuring, you have what?

Mr. SCHWAB. Well, I will call attention to the fact my figures are purely approximate.

The CHAIRMAN. I am not cross-examining you on that. What I am trying to get, Mr. Schwab, is the per cent.

Mr. SCHWAB. Yes.

The CHAIRMAN. The proportion.

Mr. SCHWAB. That is right.

The CHAIRMAN. I would just as soon you had said 30 per cent is approximately one thing.

Mr. SCHWAB. I understand.

The CHAIRMAN. Or 20 another and another.

Mr. SCHWAB. Yes.

The CHAIRMAN. And the labor cost, we will say, is $1 a ton, and the $8.50 is due to the other things. I would just as soon have it that way as in any other.

Mr. SCHWAB. We will say $2 per ton for transportation, $5 for raw materials, and $1 for labor. That makes $8. That is not far away from the difference.

The CHAIRMAN. That is what I am after.

Mr. SCHWAB. Yes; and they are approximate figures.

The CHAIRMAN. Now, if the transportation charges were the same now that they were then, you could make rails, say, for from $2 to $3 a ton cheaper than you do now.

Mr. SCHWAB. Approximately, I should say.

The CHAIRMAN. Now, Mr. Schwab, that is true of your plant?

Mr. SCHWAB. Yes.

The CHAIRMAN. That is true of the United States Steel Corporation—that it costs them $2 to $3 more than it did then?

Mr. SCHWAB. Assuming—it depends on how you figure their costs. I am assuming in our costs that there is no profit in the railroad; that they are charging into the cost of making steel the full railroad freights that everybody else pays, as they do, as I understand it. Then it would be true of their plant as of every other.

The CHAIRMAN. You assume that it costs the railroad practically what you pay for the transportation; in other words, they get only a fair——

Mr. SCHWAB. No. If you assume that, then the cost would be the same if you assume that.

The CHAIRMAN. I am not assuming anything.

Mr. SCHWAB. No.

The CHAIRMAN. I mean in your calculation you assumed that the Steel Corporation only makes what other railroads usually make for transportation?

Mr. SCHWAB. Exactly so.

The CHAIRMAN. If it be true that the Steel Corporation makes an exorbitant charge for transportation over its lines, the only sufferer is the independent, is that not true?

Mr. SCHWAB. I should say that was correct.

The CHAIRMAN. Now, Mr. Schwab, I will ask you——

Mr. SCHWAB. That is the independents who draw their supplies from the Northwest over their roads.

The CHAIRMAN. What did you say, Mr. Schwab?

Mr. SCHWAB. The independents who draw their supplies from the Northwest over these roads would suffer.

The CHAIRMAN. Yes.

Mr. SCHWAB. Quite true.

Mr. BARTLETT. You do not use any Lake Superior ore, do you?

Mr. SCHWAB. No.

The CHAIRMAN. Now, I will ask you, at the time you were president or chairman of the executive committee of the corporation if you did not make that statement before your board of directors that the Steel Corporation could make its rates what it wanted?

Mr. SCHWAB. That I made that statement?

The CHAIRMAN. Yes.

Mr. SCHWAB. I don't recall it, Mr. Chairman. The records would probably show.

The CHAIRMAN. Well, I want to call your attention to it.

Mr. SCHWAB. Yes.

The CHAIRMAN. At a meeting of the board of directors on April 10, 1901, Elbert H. Gary, chairman, Schwab, Reid, Edenborn, Converse, and Roberts being present, the subject under discussion being the policy of the United States Steel Corporation as to railroads, especially with regard to freight rates on raw material and products—you are acquainted with this book with the lock on it?

Mr. SCHWAB. It looks natural to me.

The CHAIRMAN. It looks natural, Mr. Schwab?

Mr. SCHWAB. It looks familiar.

The CHAIRMAN. What was the purpose of putting that lock on it?

Mr. SCHWAB. I don't know, unless it was to keep some of the directors from learning what was in it. [Laughter.]

The CHAIRMAN. There is a whole lot of unwritten history about this book that I have not got time to go into. Who kept the key of this thing?

Mr. SCHWAB. I am sure I didn't, Mr. Chairman. Mr. Lindabury, probably. [Laughter.]

Mr. LINDABURY. Would you like the key?

The CHAIRMAN. No; I would rather have the book. "Present, Messrs. Gary, Schwab, Reid, Edenborn, Converse, and Percival Roberts, the subject being"—see in large letters here—"The policy of the United States Steel Corporation as to railroads, especially with regard to freight rates on raw material and products."

Mr. YOUNG. Is this the executive committee?

The CHAIRMAN. It is an executive meeting.

Mr. YOUNG. The executive committee.

The CHAIRMAN. It is an executive meeting, just like we hold; a secret session.

Mr. LINDABURY. Is that a meeting of the executive committee?

The CHAIRMAN. Yes.

Mr. LINDABURY. Well, that is not an executive meeting of the board.

The CHAIRMAN. We have executive meetings when we want to do things.

Mr. LINDABURY. Do you have an executive committee other than the chairman?

The CHAIRMAN. We hold executive sessions.

Mr. LINDABURY. But this is not an executive session. It is an executive committee.

The CHAIRMAN. Oh, well, that is all right. "The president, in introducing this question, made the following statement: The railroad people are to have a meeting to decide the rate that they shall charge on ores from the Lakes to the valley and Pittsburgh, and that the question is, Ought we to insist upon the railroads giving us the lowest rate that we can get out of them, or what ought to be our policy? The president thinks that we ought to consent to any ore rate that they may name for the benefit of the railroads, provided they will give our companies equivalent values in the shipment on any other product."

Do you remember that conference?

Mr. SCHWAB. I think I remember something like that.

The CHAIRMAN (reading):

Mr. Converse is of the opinion that it is far better to have a high rate—just as high as it can be—if they will give us some definite and distinct rebate or preference in some other way.

You remember that, Mr. Schwab?

Mr. SCHWAB. I think so; yes.

The CHAIRMAN. That is what you call practical business methods. "President Schwab"—that is yourself, I believe?

Mr. SCHWAB. Yes, sir.

The CHAIRMAN. "Is of the opinion that you can not get better rates than anyone else from a certain railroad."

What peculiar railroad was that, Mr. Schwab?

Mr. SCHWAB. I don't remember.

The CHAIRMAN. You do not recall?

Mr. SCHWAB. I don't know what that had reference to.

The CHAIRMAN. It was a unique railroad; it was sui generis at that time?

Mr. SCHWAB. I presume so. Read the balance of it.

The CHAIRMAN. That is all there is to it.

Mr. SCHWAB. Oh, I am very glad. [Laughter.]

The CHAIRMAN. I will read a little more, Mr. Schwab.

The Chairman—

That is Judge Gary—

stated that we can not afford to take the position of asking any railroad, directly or indirectly, to discriminate in our favor. President Schwab thinks it is not unlikely that a railroad might rely upon certain financial influences to get better rates for the material that is to be shipped over the railroads. In his connection he makes the comment that we ought to run this as the United States Steel Corporation.

Is that correct?

Mr. SCHWAB. I think that is quite true.

The CHAIRMAN. Mr. Schwab, will you take me into your confidence and tell me what these financial influences were?

Mr. SCHWAB. No; I really don't remember, Mr. Chairman.

The CHAIRMAN. Was it the house of J. Pierpont Morgan?

Mr. SCHWAB. No; I don't know. Will you let me read it over again? May I look at it?

The CHAIRMAN. Certainly.

Mr. DANFORTH. I would like to ask the chairman whether the italics are in the report or whether they are the chairman's? We have not had an opportunity to see it.

The CHAIRMAN. Every member of this committee has had a copy of that, as I read it in full, furnished you, so the gentleman must condemn his own lack of interest in this matter and not any failure of the chairman to take him into his confidence.

Mr. DANFORTH. No; I have read the minutes.

The CHAIRMAN. It is the same thing.

Mr. DANFORTH. But I do not find any italics in my report. I am simply asking the chairman whether the italics were in the original report or whether they are the chairman's?

The CHAIRMAN. If my intonation is objectionable to the gentleman——

Mr. DANFORTH. Not at all.

The CHAIRMAN. Or to any parties present, I am ready to read in a monotone.

Mr. DANFORTH. Not at all.

Mr. LINDABURY. Don't do that.

Mr. SCHWAB. Why not avoid reading it at all?

The CHAIRMAN. I will say this in open session, that I hope any criticism of the chairman on account of his earnestness to secure the truth about this matter will be made in executive session, rather than taking up the valuable time of this committee with such criticisms as that in open session. The committee will come to order.

Mr. DANFORTH. Well, I say, Mr. Chairman, I am not making any criticisms of the effort of the chairman to arrive at the truth in this investigation.

The CHAIRMAN. I understand the gentleman is criticizing the chairman's elocution. His elecution is his own and he will read it as he pleases.

Mr. DANFORTH. I was not criticizing it; I was questioning it.

The CHAIRMAN. I am at liberty to read as I please. Now proceed, Mr. Schwab.

Mr. SCHWAB. Mr. Chairman, I am unable to tell you what I meant when I said that certain railroads could rely upon certain financial influences to get better rates for the material that is to be shipped.

The CHAIRMAN. What was that, Mr. Schwab?

Mr. SCHWAB. I do not recall the motive or reason that led to that remark at this time. That was a long time ago, Mr. Chairman—10 years ago—but I am quite certain that I do not know what that motive was, nor do I know what was in my mind when I said that. I do not recall at this time.

The CHAIRMAN. Well, Mr. Schwab, there were certain financial influences that were available at that time, but you do not recall what they were?

Mr. SCHWAB. You refer to the house of Morgan & Co.?

The CHAIRMAN. No; but that was a statement of fact at the time.

Mr. SCHWAB. Yes; but that was a matter of detail I do not remember.

The CHAIRMAN. I am sure you would tell me if you did.

Mr. SCHWAB. Yes; but frankly I do not remember. That was shortly after the organization of the Steel Corporation, but I do not know.

The CHAIRMAN. "The chairman said he thinks we ought to pay them reasonable rates. Mr. Roberts believes in working in harmony with the railroads." That is Mr. Percival Roberts?

Mr. SCHWAB. Yes, sir.

The CHAIRMAN. Do you know upon how many railroads Mr. Percival Roberts was then a director?

Mr. SCHWAB. I don't know.

The CHAIRMAN. Was he not a director upon a great many railroads?

Mr. SCHWAB. I really don't know.

The CHAIRMAN. Wasn't he a director on the Pennsylvania Railroad?

Mr. SCHWAB. I don't think so.

The CHAIRMAN. Is it not a fact now that Mr. Roberts is the railroad man on the executive board of the United States Steel Corporation?

Mr. SCHWAB. I don't know.

Mr. LINDABURY. Didn't Mr. Roberts testify he was only a director in the Pennsylvania?

The CHAIRMAN. I have a list of them about as long as my arm.

Mr. LINDABURY. My recollection was he said only of the Pennsylvania, but I may be mistaken.

The CHAIRMAN. No; he said he was a director of many roads.

Mr. LINDABURY. I beg pardon.

The CHAIRMAN (reading):

Mr. Schwab stated the rates on our own railroads can be made what we like.

Mr. SCHWAB. That is right.

The CHAIRMAN. You could at that time?

Mr. SCHWAB. Yes.

The CHAIRMAN. Make it high or low?

Mr. SCHWAB. Yes.

The CHAIRMAN. How did you get around the Interstate Commerce Commission?

Mr. SCHWAB. Well, I didn't understand that was a question for the Interstate Commerce Commission.

The CHAIRMAN. What you charge on your own road?

Mr. SCHWAB. The purpose of that meeting, as I recall at this time, was that we were obliged to publish for a year what the rate was to be on that railroad, and the purpose of that meeting was for us to decide what we were going to fix on that railroad, and I think at that time there was nothing to prevent us making the rates anything in reason we liked.

Mr. LINDABURY. The commission did not have power at that time to fix it?

Mr. SCHWAB. No.

The CHAIRMAN. Moody's Manual shows that these roads are making now about 150 per cent profit—one of them is?

Mr. SCHWAB. Yes.

The CHAIRMAN. With about $3,000,000 surplus in the course of a year and the capitalization of the road is about $3,000,000.

Mr. SCHWAB. Yes.

The CHAIRMAN. You are now hauling, I believe, over these roads about 125 cars to an engine, are you not?

Mr. SCHWAB. I couldn't give you those details, Mr. Stanley, now. I have no connection with these roads or with that company now in any manner, shape, or form.

The CHAIRMAN. Is it not true that the rate per mile haul, per train-mile—that is the term, isn't it——

Mr. SCHWAB. Yes.

The CHAIRMAN. Is about 50 per cent.

Mr. SCHWAB. I couldn't say that; I have no means of knowing, Mr. Chairman.

The CHAIRMAN. And that the rate over the average road hauling freight of that kind is about $2.50.

Mr. SCHWAB. Well, I couldn't even tell you that; I don't know.

The CHAIRMAN. Do you know whether those rates at that time were immensely profitable?

Mr. SCHWAB. I believe that they were reasonably profitable at that time.

The CHAIRMAN. Mr. Herbert Knox Smith says the average road has an income, I believe, of about 33⅓ per cent—their operating expenses—that is, those roads of which you speak, their operating expenses were very low. Were they low at that time, Mr. Schwab?

Mr. SCHWAB. Yes; we regard them as well-operated lines.

The CHAIRMAN. The operating expenses of the Duluth, Missabe & Southern being 30 per cent of the gross earnings.

Mr. SCHWAB. Yes; because it was a unique business, the handling of great volumes of material, and hardly comparable with any other road.

The CHAIRMAN. As compared with 66 per cent for all the railroads of the country?

Mr. SCHWAB. Yes.

The CHAIRMAN. Are there any other roads 100 miles long on this continent that have the facilities for making enormous earnings, such cheapness of operation, or low cost of operation? It is because at one end you run into a blind ditch and shovel your ore in, and at the other end you run into a ship dock?

Mr. SCHWAB. Yes.

The CHAIRMAN. So these roads are the most profitable roads on the continent?

Mr. SCHWAB. I don't know that, because I haven't knowledge. They ought to be very profitable.

The CHAIRMAN. Very profitable?

Mr. SCHWAB. Yes.

The CHAIRMAN. Now, if your operating expenses are below 30 per cent of gross earnings, instead of being 66 per cent of your gross earnings, the corporation is not hurt when it is hauling its own ore?

Mr. SCHWAB. No.

The CHAIRMAN. Not at all, because it all goes into hodge podge. But every time the condition exists to haul a ton of ore for yourself you pay two tons of the independents, don't you?

Mr. SCHWAB. Quite so.

The CHAIRMAN (reading):

The chairman thinks that we should not decide arbitrarily as to the fixing of the rate without first taking it up with the railroad presidents, who would very likely be willing and glad to take it up with our people and see what is fair. President Schwab commented that he thought it unfair for railroads to take the position that they should charge steel companies more than others because they can stand it. It was finally agreed that President Schwab invite the railroad people to a conference and report the result of the meeting to this committee later.

Did you have that conference with the railroad presidents?

Mr. SCHWAB. I think I did.

The CHAIRMAN. And you advised them you were indifferent to the rate they charged?

Mr. SCHWAB. I haven't any distinct recollection about it, but I think that is true. That is what I would likely do.

The CHAIRMAN. At that time it was impossible to hurt the Steel Corporation by any change, however exorbitant, on raw material for the reason that you had facilities for transporting your own raw material from the Mesabi Range to the furnaces, is not that so?

Mr. SCHWAB. Yes, sir.

The CHAIRMAN. And you were quite safe?

Mr. SCHWAB. Yes.

The CHAIRMAN. And it was a good business proposition?

Mr. SCHWAB. It was.

The CHAIRMAN. I agree with you. Now, Mr. Schwab, the reason I asked you about Mr. Morgan being the financial interest to whom

you would naturally go—I called your attention to a meeting of the executive committee in this same locked book, July 2, 1902, in which Mr. Schwab states—

He thinks that Mr. Morgan, the responsible head of the financial house that had the responsibility of bringing out this concern, should have the opportunity of being consulted as a member of the board of directors or otherwise.

Mr. SCHWAB. That is true.

The CHAIRMAN. You regard this Mr. Morgan as the godfather of the Steel Corporation and the man to go to in time of trouble?

Mr. SCHWAB. I did; and I want to take this opportunity of saying that there were many times when I took up matters with Mr. Morgan pertaining to the Steel Corporation that might affect his other interests or interests with which I believed he was financially identified, and his reply to me was invariably the same, that the Steel Corporation was to be conducted for its best interests regardless of any other interests he had or might have in any other properties. And it is with great pleasure that I take this opportunity of saying that Mr. Morgan was the most fair-minded and biggest man in matters of that sort with whom I ever had business to do.

The CHAIRMAN. Well, I am not charging Mr. Morgan with any dereliction.

Mr. SCHWAB. I am quite sure of that.

The CHAIRMAN. But what I am trying to get at, Mr. Schwab, is that Mr. J. Pierpont Morgan—what I want to reach is this—Mr. J. Pierpont Morgan was at your right hand when this thing was incubated?

Mr. SCHWAB. Yes.

The CHAIRMAN. He was consulting with you between that formative period, between conception and birth; he was present at the birth and the christening, and after this thing was put on its feet, and while you were with it in its earliest days, you felt that in every hour of peril or crisis the best man to consult, on account of his wisdom, his power, and his liberality, was J. Pierpont Morgan?

Mr. SCHWAB. That is quite true. But I almost invariably had the same reply from him, and that was that—

the directors of this company are the people, Mr. Schwab, whose wishes and views you are to take pertaining to this company.

The CHAIRMAN. He was a director?

Mr. SCHWAB. He was a director.

The CHAIRMAN. On April 9, 1901, I find another very interesting discussion in this book:

The president—

That is Judge Gary—

In the chair, Schwab, Reid, Edenborn, Converse, and Roberts being present, discussing manufacturing in the State of Pennsylvania. The president called attention to the threatened hostile legislation in the pending session against all capital employed in manufacturing in the State. He is of the opinion that unless something is done the bill may pass; that it may be a tax from 3 to 5 mills, and will probably be on the capital rather than on the assessed valuation. Mr. Roberts believes that the bill will not go through. Mr. Edenborn suggests that in the event of its passage it will thereby become an annual expense, and that it had better be brought down to a nominal rate. The president is of the opinion that it might be wise to fight it on the ground that the principle is bad. After some further discussion the chairman proposed that it be temporarily passed.

Now, what were they attempting to do to you there in the way of taxation, Mr. Schwab?

Mr. SCHWAB. I really don't remember. I would have to have some other way to refresh my memory about it.

The CHAIRMAN. Was it not that they were going to assess you on the $2,000,000,000 capitalization, and not the value?

Mr. SCHWAB. I don't remember.

The CHAIRMAN. That is what the book says.

Mr. SCHWAB. That is what the book says, and that is probably what it was, but I really don't remember. It was 10 years ago, Mr. Chairman.

The CHAIRMAN. I understand, and I have no criticism of the witness to make on the lack of frankness.

Mr. SCHWAB. I would tell you if I remembered.

The CHAIRMAN. You had so many things on your mind that little things would slip you, particularly when you had so much of this kind of thing to do. [Reads:]

The President reported that no action had been taken on this matter. He had been informed that some of the legislators——

Mr. YOUNG. That relates to the same matter?

The CHAIRMAN. Yes. [Continuing reading:]

were in favor of our acceding to a nominal tax, but expected to learn something definite in a few days.

Do you remember that?

Mr. SCHWAB. I really do not.

The CHAIRMAN. I will ask you if that question was not finally settled by your fixing a nominal tax upon your properties in Pennsylvania and paying it rather than let this question be pushed any farther, and if you did not determine in your board of directors just what tax you would pay and notify those legislators, and bills were passed accordingly?

Mr. SCHWAB. If such action were taken I have no recollection of it, Mr. Chairman.

The CHAIRMAN. Well, maybe we will find out more about that when we get Mr. Perkins.

Mr. SCHWAB. Yes, Mr. Perkins or some of those gentlemen.

The CHAIRMAN. He knows more about that than you do, does he not?

Mr. SCHWAB. Quite true.

The CHAIRMAN. I thought he did.

Mr. SCHWAB. Yes.

The CHAIRMAN. "Pennsylvania taxation." This is May 13, 1901.

Present, Gary, chairman, Schwab, Roberts, Edenborn, Reid, and Converse. The president reports that there are some pending bills in the legislature that he believes need looking into. After some discussion it was voted that this whole matter and anything kindred to it be left with the president and chairman to take up with the finance committee with power.

Were you chairman at that time?

Mr. SCHWAB. I was president.

The CHAIRMAN. Did you and Judge Gary take that up?

Mr. SCHWAB. I don't remember whether we did or not. I think likely we did, if it is there.

The CHAIRMAN. Mr. Schwab, you are frank and you would save me a great deal of trouble and time, and the country expense, and I

would not ask another man to do that, but I will ask you to take me into your confidence and tell me as much as you know about how this taxation business was settled.

Mr. SCHWAB. I will be as frank as I know, and tell you truthfully; at this time I have not the slightest recollection of the transaction, truly and absolutely.

The CHAIRMAN. Do you know who was delegated to take care of that? Was Mr. Perkins?

Mr. SCHWAB. I don't know. I think Judge Gary could tell you that, or maybe Mr. Perkins, much better than I could. Frankly, Mr. Chairman, those duties and things of that sort were not the things I attended to in the Steel Corporation. I looked principally after the operations of the plants. That was my specialty. I was a practical man; and with reference to these things I do not have anything to do.

The CHAIRMAN. Now, then, to get back to our knitting. There is one other proposition on April 9, 1901:

Present, Elbert H. Gary, Schwab, Reid, Eedenborn, Converse, Roberts.

By the way, before I go into that, I want to ask this question: Is it not true that during these days there was never a meeting of the Steel Corporation but that one or more members of the house of J. P. Morgan & Co. were present?

Mr. SCHWAB. That is true.

The CHAIRMAN. Now, to get back to the rail question.

Th price of rails: On this question the president feels it to be good policy to advance the price now.

Mr. SCHWAB. Yes.

The CHAIRMAN. And that in his judgment it would attract but little attention?

Mr. SCHWAB. That is right.

The CHAIRMAN. "Mr. Roberts thought it might be——"

Mr. YOUNG. What date is that?

The CHAIRMAN. April 9, 1901.

Mr. Roberts thought it might be inexpedient to do so at this early stage of the organization of the company because there might be some talk on the lines that they were being advanced by this great corporation. The chairman thinks an advance can be very well made now. In this Mr. Converse concurred. Mr. Edenborn believes that the price of rails can be advanced $2, and is in favor of doing it now. The chairman suggested that if the outsiders insisted upon the advance this company would not oppose, and the other members of the committee approved of this.

At that time it was within your power to fix the price of rails?

Mr. SCHWAB. Not within our power, but I would say the company that produces half the rails, as we probably did at that time, or 60 per cent—I don't remember the figures—if they gave it as their opinion that rails ought to be advanced, there would be little opposition on the part of other manufacturers. And my position has always been consistent on that, Mr. Chairman, that I never have believed rails have been sold at a sufficiently high price. I believe so to-day, as I told you yesterday.

The CHAIRMAN. I quite understand you. Now, to get back, Mr. Schwab, the cost of rails has increased $4?

Mr. SCHWAB. Yes.

The CHAIRMAN. Because the makers of rails have agreed with the railroads, and through you have notified them, that you will acquiesce in an increase in the cost of transportation, which made this situation necessary.

Mr. SCHWAB. I do not think it came about in that way at all, Mr. Chairman. I think rails were advanced to $28 a ton along about 1899 without there being any consultation with railroads or anybody else regarding the price, or because transportation had advanced. I know that we have frequently told railroads that they had advanced transportation and they should not object to an advance in the price of rails. That was a very common argument.

The CHAIRMAN. I quite understand you.

Mr. SCHWAB. Yes.

The CHAIRMAN. But I fail to make myself clear. I was not speaking of the price of rails, but I am speaking now of the cost of them.

Mr. SCHWAB. Yes.

The CHAIRMAN. You state that in 1898 or 1899, when you wrote that letter, rails could be made at a certain price?

Mr. SCHWAB. Yes.

The CHAIRMAN. Now they can not be made at that price, because there is $4 more to be charged up to the rails on account of the increased cost of transportation?

Mr. SCHWAB. No; I said $2, Mr. Chairman.

The CHAIRMAN. I beg your pardon; it is my mistake, Mr. Schwab.

Mr. SCHWAB. Yes.

The CHAIRMAN. $2.

Mr. SCHWAB. Yes.

The CHAIRMAN. Now, if I understand you, that $2 increase in the cost price of rails resulting from an increase in the cost of transportation was an increase in which both shippers and carrier concurred and the result of a conference between them.

Mr. SCHWAB. No; I think there was no conference.

The CHAIRMAN. Did you confer with the presidents of the roads on that rate?

Mr. SCHWAB. We fixed the price of rails and always have.

The CHAIRMAN. You understood me to say rails. I said rates.

Mr. SCHWAB. Oh, I thought you said rails.

The CHAIRMAN. No.

Mr. SCHWAB. Well, I think the railroad companies fixed their rates about the same as we fixed rails. They announced what they were, and that was all there was to it; and we have to pay it.

The CHAIRMAN. You had conferences with them and agreed?

Mr. SCHWAB. I don't think we had conferences.

The CHAIRMAN. I called your attention to that in the minutes where it was said you were sent to them.

Mr. SCHWAB. Yes; nevertheless I don't believe we had any conference about it.

The CHAIRMAN. I want to call your attention——

Mr. SCHWAB. I remember very well, Mr. Chairman.

The CHAIRMAN. No; this is another matter. This is April 24, 1901.

Mr. SCHWAB. Yes.

The CHAIRMAN (reading):

The president reports that he had had a conference with the presidents of the different railroad lines handling our products with reference to the roads' high charge on ore, coke, and finished steel articles.

That would be rails, Mr. Schwab?

Mr. SCHWAB. Yes.

The CHAIRMAN (reading):

The result was that they are going to appoint three persons who are thoroughly familiar with all these items of transportation, and they are going to meet three appointed by ourselves. This committee will take up this matter and devise some plan which will be submitted to us and the railroad people as the basis on which we are to consider this question of rates. This plan was approved by the committee. It was suggested by the chairman that Mr. Keene, of the American Steel & Wire Co.; Mr. Banks, of the Elgin, Joliet & Eastern Railroad Co.; and a represetnative from the Carnegie Co. compose this committee. This was approved. The president suggests that this committee select all the data possible from every direction and that they should consult traffic men of the different companies.

Mr. SCHWAB. Well, that is true. But when I spoke of not having a meeting with the railroad presidents with a view of discussing these items, it was equally true. We had the meeting only for the purpose of having the people familiar with it do it, and anything of that sort that was done was done by a committee of the transportation men for both the railroad companies and ourselves. My meeting with the railroad presidents, if I remember right—and I am not sure of this—was by telephone to arrange for this matter.

The CHAIRMAN. What I am getting at, there was a conference at which they were fixed?

Mr. SCHWAB. Yes.

The CHAIRMAN. Or before they were fixed?

Mr. SCHWAB. I think that is true.

The CHAIRMAN. And another meeting at which you were present on May 28, 1901:

The chairman expressed the opinion that we should go very slowly in making trade alliances with the new concerns; but if we did business on competitive lines for awhile we would probably be able to make better arrangements later if desired. Mr. Converse points out that it would tend to introduce the goods of the company into the market.

Do you remember that?

Mr. SCHWAB. I don't know what that has reference to.

The CHAIRMAN. That is in reference to this question of competition. It does not refer directly to railroads.

The president states that he is a little exercised about the whole thing.

That is a reference to another matter. I thought it was with reference to fixing the price of rails.

Mr. SCHWAB. Yes.

The CHAIRMAN. Now, the net result of it is that if the United States Steel Corporation had maintained the same rates in 1901 and in 1910 upon the Duluth, Missabe & Northern, upon the Duluth & Ohio, for lake transportation, and on the Erie & Bessemer Railroad, your cost of transportation would not have increased a mill for your raw material. Is not that true?

Mr. SCHWAB. Well, I can't tell you what advances, if any, there were on these properties, but I did not refer to the advance in rates on ore alone. I referred to the advance in rates on everything that is used in a ton of steel.

The CHAIRMAN. Yes; but I am speaking of coal and ore. We will come to the other points later.

Mr. SCHWAB. Yes. Mr. Chairman, I do not know—you probably have better data than I have as to what the rates were in 1901 and 1910; I haven't them in mind. We don't use them in our business at all; therefore, I am not familiar with them.

The CHAIRMAN. I will show you from your testimony:

"Now I will go into the cost," said Mr. Schwab, "as to how I arrived at $12 at that time for making rails. It was quite true we were leasing our ores out in the Northwest; we were not large owners of ore; we started out to buy, but we were purchasing and leasing ores, as people familiar with the trade will recollect, at 10 cents and 15 cents a ton."

Mr. SCHWAB. Yes.

The CHAIRMAN (reading):

"The cost of mining in this Mesabi—because that is about the time the Mesabi ores were being made entirely on the surface and there was no depth of mining at all—was being done at the cost of 15 to 20 cents a ton, so our ores cost at the mines at that time about 35 or 40 cents a ton. Now, we transported those ores to the lakes at about 60 to 70 cents a ton; we transported them on the Lakes for 60 cents a ton, and transported them from the Lakes to Pittsburgh for 70 cents a ton more."

Mr. SCHWAB. Yes.

The CHAIRMAN. The rates now are, if I quote from memory, 80 cents from the Mesabi Range to the Lakes?

Mr. SCHWAB. Yes.

The CHAIRMAN. What are they, then, Two Harbors to Conneaut?

Mr. SCHWAB. You mean the boat ride?

The CHAIRMAN. Yes.

Mr. SCHWAB. I believe 75 to 80 cents. These are things with which I am not familiar, because we do not use them.

The CHAIRMAN. Yes; say, 75 to 80 cents?

Mr. SCHWAB. Yes.

The CHAIRMAN. Now, what is the rate from Conneaut on the Erie & Bessemer?

Mr. SCHWAB. I do not know; I think it is about $1, but I am not sure of that; we don't use that railroad at all.

The CHAIRMAN. Now I will ask you, Mr. Schwab, those were the rates you quoted——

Mr. SCHWAB. Yes; and those rates are correct.

The CHAIRMAN (continuing). When you were explaining to the committee that the cost of making rails was greater?

Mr. SCHWAB. That is true.

The CHAIRMAN. The only other cost you would have in making rails is the cost of limestone and coal?

Mr. SCHWAB. There are many other things from a producing point of view besides coal and limestone.

The CHAIRMAN. In the ore or raw material?

Mr. SCHWAB. No; not raw material; but there is coal for steam, for example.

The CHAIRMAN. I am talking of coal of all kinds.

Mr. SCHWAB. Then, other supplies that go into a works, like firebrick and sand and numerous things.

The CHAIRMAN. Those are in construction.

Mr. SCHWAB. No; like ganister, like lime, like fire clay, like graphite, like all the numberless things that you have to ship in to a steel mill every day.

The CHAIRMAN. But were there integral parts of a ton of pig iron—things that go into the top of that blast furnace—was there 50 cents' worth to the ton, except ore, that you could not get within 100 miles of your blast furnace at Pittsburgh?

Mr. SCHWAB. Fifty cents' worth of material?

The CHAIRMAN. Yes.

Mr. SCHWAB. Oh, yes.

The CHAIRMAN. How much?

Mr. SCHWAB. I should have to guess. You have to have repairs to your mills, which run more than 50 cents to a ton of rails.

The CHAIRMAN. Yes.

Mr. SCHWAB. All that stuff has to be shipped in.

The CHAIRMAN. I understand that.

Mr. SCHWAB. And they have to be in the cost.

The CHAIRMAN. But they come in your accounts under a depreciation charge?

Mr. SCHWAB. No.

The CHAIRMAN. Is not that what the depreciation charge is for?

Mr. SCHWAB. No, sir; quite two separate charges.

The CHAIRMAN. Won't they make the maintenance charge?

Mr. SCHWAB. They will make the maintenance charge. Depreciation is quite a different thing.

The CHAIRMAN. I am not talking about repairs. I am talking about the stuff that goes in the blast furnace.

Mr. SCHWAB. Yes.

The CHAIRMAN. Was there 50 cents to the ton worth of crude material that went into the top of your blast furnace except the ore that you could not get within 100 miles?

Mr. SCHWAB. There was nothing went in except the ore, coke, and limestone in the top of the blast furnace.

The CHAIRMAN. And your coke and limestone was within gunshot?

Mr. SCHWAB. Well, the coke was in the Connellsville district and the limestone 200 miles away.

The CHAIRMAN. Yes.

Mr. SCHWAB. 150 miles away.

The CHAIRMAN. Did you transport the coke and limestone over your own railroad?

Mr. SCHWAB. No, sir; we did not. They were transported over other railroads.

The CHAIRMAN. Let us take coal. What is the cost of a ton of coal at Pittsburg?

Mr. SCHWAB. The cost of a ton of coal?

The CHAIRMAN. Yes.

Mr. SCHWAB. For what purpose, the steam coal?

The CHAIRMAN. Either one.

Mr. SCHWAB. In that year?

The CHAIRMAN. Yes.

Mr. SCHWAB. About 90 cents a ton.

The CHAIRMAN. Ninety cents?

Mr. SCHWAB. Ninety cents to $1 a ton.

The CHAIRMAN. If that coal had to be brought, say, from the Pocahontas coal fields, what would it cost you in Pittsburg?

Mr. SCHWAB. That I don't know. You wouldn't bring it from there; the transportation would be too great.

The CHAIRMAN. Ah, but didn't you bring it from there?

Mr. SCHWAB. No; not Pittsburg.

The CHAIRMAN. If you could bring coal from the Pocahontas coal fields now, freight and all, for less money than coal was selling for at the time you gave this evidence, your increased cost for the coke and coal would be materially less, would it not?

Mr. SCHWAB. I don't quite understand that, Mr. Chairman.

The CHAIRMAN. What would coke have cost you?

Mr. SCHWAB. Coke?

The CHAIRMAN. Or coal per ton in Pittsburgh at the time this estimate of yours was made.

Mr. SCHWAB. Coal cost us less than $1 a ton in Pittsburgh.

The CHAIRMAN. How much less?

Mr. SCHWAB. Well, between 90 cents and $1.

The CHAIRMAN. All right.

Mr. SCHWAB. Coke costs us in Pittsburgh about $1.75 a ton at times.

The CHAIRMAN. Now, I want to call your attention to a contract entered into between the Pittsburgh Coal Co. and the United States Steel Corporation April 20, 1905:

The prices for rail coal to be delivered to the Steel Corporation, or its nominees, in the Pittsburgh district, valley district, and for shipment to Lake Erie ports, except for coal which may be shipped from the New York & Cleveland Gas Coal Co. mines to Edgar Thomson Works of Carnegie Steel Co., and except for cargo coal delivered at Lake Erie ports for upper lake shipments, shall be f. o. b. cars at the mines of the coal company, as follows:

For thick-vein run of mine, 90 cents per ton.

For thin-vein run of mine, 97 cents per ton.

Mr. SCHWAB. Yes.

The CHAIRMAN. That is in 1905?

Mr. SCHWAB. Yes; that is at the mines.

The CHAIRMAN (reading):

The price of slack coal to be delivered under this agreement shall be $0.50 per ton f. o. b. cars at mines of the coal company; and in case the coal company shall have slack coal for sale for shipment by river, and the Steel Corporation, or its nominees, shall make purchases thereof, the prices therefor shall be as follows: $0.42½ per ton delivered in barges at the loading docks at the mines of the coal company or at the mines of the Monongahela River Consolidated Coal & Coke Co.; $0.55 per ton delivered in barges alongside of unloading docks of the nominees of the Steel Corporation, at mills or plants located along the Monongahela River; $0.65 per ton delivered in barges alongside of the unloading docks of the nominees of the Steel Corporation, at mills or plants located along the Allegheny River. It being understood, however, that the nominees of the Steel Corporation shall be entitled to purchase only such quantity of slack coal for river delivery as the total tonnage of all coal, except slack, delivered by river to the said nominees bears to the aggregate of all coal except slack sold for shipment by river by the coal company.

Now, if the coal can be delivered at that price now to the Steel Corporation by the Pittsburgh Coal Co., is not your fuel as cheap to the Steel Corporation as it was then?

Mr. SCHWAB. Mr. Chairman, all the prices you have read me are at the mines. The price I gave you was at Pittsburgh.

The CHAIRMAN. No; I beg your pardon.

Mr. SCHWAB. Oh, yes. You have read me prices at the mines, and if you will add the freight you will find my statement is correct that coal in 1905 was very much higher than it was in 1901.

The CHAIRMAN. I understand; but is it higher to them?

Mr. SCHWAB. What?

The CHAIRMAN. Is it higher to the Steel Corporation?

Mr. SCHWAB. Yes; certainly must be.

The CHAIRMAN. Under these terms?

Mr. SCHWAB. Yes.

The CHAIRMAN. What is the price of this kind of coal delivered at Pittsburgh now?

Mr. SCHWAB. I couldn't tell you.

The CHAIRMAN. About $2 a ton?

Mr. SCHWAB. No; it is less than that. I suppose about $1.40 or $1.50, or somewhere along there.

The CHAIRMAN. This is the Pittsburgh Coal Co. That is right in Pittsburgh?

Mr. SCHWAB. Yes.

The CHAIRMAN. What would be the cost of shipping a ton of coal from the Pittsburgh Coal Co. to the United States Steel Corporation?

Mr. SCHWAB. I suppose about 50 cents a ton by river.

The CHAIRMAN. About 50 cents?

Mr. SCHWAB. I should imagine so.

The CHAIRMAN. Fifty cents a ton by river?

Mr. SCHWAB. Yes.

The CHAIRMAN. I can not understand that.

Mr. SCHWAB. Yes; they ship it by barge down the Monongahela River to Pittsburgh.

The CHAIRMAN. The reason that statement surprises me, Mr. Schwab, is that a board of engineers made a survey of the Ohio River.

Mr. SCHWAB. Yes.

The CHAIRMAN. With an idea of putting locks and dams on the river——

Mr. SCHWAB. But this is not on the Ohio.

The CHAIRMAN. I understand, but it is subsidiary, and the same boats run up there, and they report that on the Ohio River, on the Monongahela and the Allegheny immediately above the convergence—it is the same water, the same depth of channel—that they ship coal from Pittsburgh to New Orleans in those boats at less than .54 and some odd mills per ton mile.

Mr. SCHWAB. Yes. A short-distance haul makes a very great difference.

The CHAIRMAN. I understand that, but I do not see how it can make that difference.

Mr. SCHWAB. You can take this statement, that they can put coal from the mines on the Monongahela River to Pittsburgh at about 50 cents on barges.

The CHAIRMAN. This coal is 65 cents more, and that would be $1.10 delivered.

Mr. SCHWAB. Run-of-mine coal under that contract, if I recall your figures—I am speaking of run-of-mine. Slack can only be used in certain places, and the great majority is run-of-mine coal and my recollection of that statement is it was $1 at the mines.

The CHAIRMAN. Eighty-five cents a ton.

Mr. SCHWAB. Eighty-five cents a ton for thick-vein coal.

The CHAIRMAN. And 71 cents a ton for thin-vein coal?

Mr. SCHWAB. Yes. So you have got to add the freight to that.

The CHAIRMAN. Is there any difference between thick-vein and thin-vein coal as far as its use is concerned?

Mr. SCHWAB. Not much difference.

The CHAIRMAN. Take the average between them—one is 71, and one 85—say 70 cents a ton.

Mr. SCHWAB. Yes.

The CHAIRMAN. And 50 cents to add would be $1.20?

Mr. SCHWAB. Yes.

The CHAIRMAN. What were they paying then?

Mr. SCHWAB. Less than $1, I believe.

The CHAIRMAN. And 50 cents a ton on coal or coke?

Mr. SCHWAB. No; that is coal.

The CHAIRMAN. What is the difference in the rate?

Mr. SCHWAB. You can not handle coke by boat; it has to come by rail; it comes from a different district altogether, so that you can not reckon the two together. Coke has advanced much more than coal in the same period.

The CHAIRMAN. You have got the coke and the coal out of the way. Now, take ore?

Mr. SCHWAB. Yes.

The CHAIRMAN. What has caused this phenomenal advance in ores? They are still there, are they not?

Mr. SCHWAB. Yes; but the advance of ore has been due to the very great advance in the steel requirements of this country and the world. I remember very well 10 years ago there were very few people who did not believe that the steel consumption of the United States had about reached its zenith when they were making 10,000,000 or 11,000,000. Now last year we made about 25,000,000, and it is my belief that in the next 10 years we will reach 40,000,000 tons. The result is the material that goes to make this great quantity of steel people are realizing is of much greater value than they thought it was in those days.

The CHAIRMAN. Mr. Schwab, do you remember when this Hill lease went into effect?

Mr. SCHWAB. Yes.

The CHAIRMAN. Do you remember about what time that was?

Mr. SCHWAB. I can't give you the date; some three or four years ago.

The CHAIRMAN. Have you the date of that lease? I have some data from it here, but not the date of the document.

Mr. REED. 1907. I don't remember the exact date.

The CHAIRMAN. What was the effect on the markets of the country of that lease of March 12, 1907, on the prices of ore?

Mr. SCHWAB. What was the effect?

The CHAIRMAN. What has been the effect upon the ores of this absorption of them by large concerns—upon the value of those that remained, taking them out of the market?

Mr. SCHWAB. I don't know that it has had any particular effect beyond making the people who own ores realize their greater values.

The CHAIRMAN. There are not as many for sale, are there?

Mr. SCHWAB. You mean ore lands for sale?

The CHAIRMAN. Yes.

Mr. SCHWAB. Or ore for sale?

The CHAIRMAN. Ore or lands, either?

Mr. SCHWAB. Well, there is very little ore sold, because everybody who makes steel or iron mine their own ores, so it has had very little effect upon that. As far as ore lands are concerned, I am sure that anyone who had ore lands to sell had a better opinion of them after that lease than they had before.

Mr. YOUNG. Mr. Chairman, would you permit me to put right in here these figures, which are somewhat instructive?

The CHAIRMAN. They are in the record twice. I do not mind their going in again, and you can put them in after the examination. You put that page in once and I put it in twice. It is in three times. I am perfectly willing, when I turn Mr. Schwab over, that you put it in. I would be glad to accommodate you, and if you insist I will put it right in.

Mr. YOUNG. Oh, no; I do not insist at all.

The CHAIRMAN. I want to be perfectly just with the witness and everybody else. I will state, in 1906 this table gives the price of ore at $4.25 and non-Bessemer at $3.70; 1907, at $5 and at $4.20; there was an increase there of about 75 cents to $1 a ton.

Mr. SCHWAB. Yes; I think that is true.

The CHAIRMAN. That shows an increase.

Mr. SCHWAB. Quite so.

The CHAIRMAN. Then it dropped down the next year, and so on.

Mr. SCHWAB. Yes.

The CHAIRMAN. Now, Mr. Schwab, for instance, take that Hill lease; how many tons of ore did it comprise?

Mr. SCHWAB. I have no knowledge on the subject.

The CHAIRMAN. I have a paper here somewhere I want to put in the record.

Mr. SCHWAB. That all took place after my retirement from the Steel Corporation.

Mr. REED. I gave you a statement yesterday on yellow paper.

The CHAIRMAN. I have a statement here of the minimums of the Hill lease and the price for 1907, 1908, and 1909.

Mr. SCHWAB. Yes.

The CHAIRMAN. And the royalty?

Mr. SCHWAB. Yes.

The CHAIRMAN. Forty-nine per cent iron, $1.1680 per ton; 50 per cent iron, $1.2162 a ton, and so on, and the increase for 1907. There was a rate of increase of 3.4 per cent per annum each year, was there not?

Mr. SCHWAB. Something like that.

The CHAIRMAN. The minimum tons of ore in 1907 would be 750,000?

Mr. SCHWAB. Yes.

The CHAIRMAN. In 1917 there had to be 8,250,000 tons; is that correct?

Mr. SCHWAB. Yes.

The CHAIRMAN. I will put this table in, furnished me by the Steel Corporation.

Mr. SCHWAB. Very good.

(The table is as follows:)

Main lease.

MINIMUMS.

Years.	Tons.	Years.	Tons.
1907	750,000	1913	5,250,000
1908	1,500,000	1914	6,000,000
1909	2,250,000	1915	6,750,000
1910	3,000,000	1916	7,500,000
1911	3,750,000	1917 (and each year thereafter)	8,250,000
1912	4,500,000		

ROYALTIES.

Iron.	Per ton.	Iron.	Per ton.
49 per cent	$1.1680	58 per cent	$1.6018
50 per cent	1.2162	59 per cent	1.6500
51 per cent	1.2644	60 per cent	1.6982
52 per cent	1.3126	61 per cent	1.7464
53 per cent	1.3608	62 per cent	1.7946
54 per cent	1.4090	63 per cent	1.8428
55 per cent	1.4572	64 per cent	1.8910
56 per cent	1.5054	65 per cent	1.9392
57 per cent	1.5536	66 per cent	1.9874

The foregoing prices fixed only for 1907—to increase at the rate of 3.04 cents per ton per year.

The CHAIRMAN. Now, this is the good year 1911. This year they are to take 3,750,000 tons of that ore?

Mr. SCHWAB. Yes. The years are not given, but it would be——

Mr. REED. The bottom of that shows the price in 1907 according to the percentage of the ore.

The CHAIRMAN. In 1907, if this ore averaged, say, 55 per cent, the Steel Corporation will have to pay for it $1.4572 per ton, plus 3.4 cents increase every year from 1907 to 1911. Is that right?

Mr. SCHWAB. Yes; that is right.

The CHAIRMAN. And that is f. o. b. Two Harbors, isn't it?

Mr. SCHWAB. That is the royalty that is paid.

The CHAIRMAN. But what did you pay for it a ton delivered—you didn't buy it?

Mr. SCHWAB. No; that is only royalty.

The CHAIRMAN. What did you pay a ton for it delivered?

Mr. SCHWAB. The Steel Co. mined and delivered it. They only paid that for the ore in the ground.

The CHAIRMAN. What did they pay for a ton of that at Two Harbors?

Mr. SCHWAB. They would transport it over their own road.

The CHAIRMAN. No.

Mr. SCHWAB. Quite right—the Hill road.

The CHAIRMAN. It had to be transported over the Hill road?

Mr. SCHWAB. Yes.

The CHAIRMAN. Didn't you pay $1.65 at Two Harbors?

Mr. SCHWAB. I don't know.

The CHAIRMAN. Was it not this rate plus 80 cents a ton?

Mr. SCHWAB. I don't know; I have no way of knowing that.

Mr. REED. May I explain, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. REED. The practice is that the Steel Corporation will mine its own ore. It has to pay the freight rate over the road that carries it, whatever that freight rate is.

The CHAIRMAN. Suppose the freight rate should be changed to 30 cents a ton? Suppose the Interstate Commerce Commission stepped in there and cut that rate in two, you people would not get any advantage of it under your contract, isn't that true, Mr. Schwab?

Mr. SCHWAB. I am not familiar with the contract.

The CHAIRMAN. If the Interstate Commerce Commission cut that in two, you would not benefit?

Mr. SCHWAB. That contract was made after my retirement.

The CHAIRMAN. I will put another witness on the stand. I have read that portion of the contract. Now, suppose the Interstate Commerce Commission should cut the rates in two upon roads running from the Mesabi Range to the Lakes, and the Steel Corporation would find itself chained to this contract, then the independents would get a benefit of 20 cents a ton, wouldn't they?

Mr. SCHWAB. Evidently.

The CHAIRMAN. Do you think that lease would be renewed?

Mr. SCHWAB. I couldn't express an opinion.

The CHAIRMAN. It would be bad business, wouldn't it?

Mr. SCHWAB. Yes.

The CHAIRMAN. Then the Interstate Commerce Commission might, as I hope it will, cause the Steel Corporation to turn loose at least, and when it does, and that throws this iron ore on the market, what will be the effect on the price of iron ore, if that sort of thing happened?

Mr. SCHWAB. I think that ore probably could not be marketed. There would be nobody to buy it.

The CHAIRMAN. The Steel Corporation would buy the ore, but would not buy it under the Hill lease.

Mr. SCHWAB. It probably would make better terms.

The CHAIRMAN. That is it. If that ore was put up to a sale for anybody who wanted it, don't you believe there would be a drop in ores?

Mr. SCHWAB. Yes; I think so.

The CHAIRMAN. How much?

Mr. SCHWAB. Whatever the reduction in freight would be.

The CHAIRMAN. Whatever the reduction in freight would be?

Mr. SCHWAB. Certainly.

The CHAIRMAN. Now, this increase in the price of ores then is due to three things: One is the increase in the consumption of iron, as you say?

Mr. SCHWAB. Yes.

The CHAIRMAN. To the freight rate, and to the fact that the ores themselves are held in the hands of a comparatively few men; is that not true?

Mr. SCHWAB. Yes.

The CHAIRMAN. Does any other gentleman of the committee desire to ask Mr. Schwab anything?

Mr. SCHWAB. I have been unable to give you but very little information about this, Mr. Chairman, because as a matter of fact I am

not acquainted with it. It has all taken place since we left the Steel Corporation.

The CHAIRMAN. I understand.

Mr. SCHWAB. I say I can give you very little information.

The CHAIRMAN. Does any other gentleman want to ask questions of Mr. Schwab?

Mr. YOUNG. Well, while you were president of the Steel Corporation you had very little to do with the ore?

Mr. SCHWAB. No; I had Mr. Gayley, as vice president, in charge of that.

The CHAIRMAN. Mr. Schwab, I wish to extend to you the thanks of this committee for your kindness in appearing. After many years of public life, it has never been my pleasure to have a witness before me more courteous, more frank, notwithstanding the fact that many of his statements were such as ordinarily he would have preferred not to have made had it not been for his sense of duty to take us into his confidence, and I thank you for answering so frankly and fully such questions as I have propounded.

Mr. SCHWAB. Mr. Chairman, I want to say that I have appreciated very fully the opportunity of coming here and to say I have appeared many times before committees in Washington and elsewhere, but never have I had such courteous treatment, and never have I felt so much inclined to tell all I know about any subject as I have here. I thank you very much. [Applause.]

The CHAIRMAN. Well, if there is no other witness, the committee will stand adjourned until Tuesday, at Washington, at which time we will expect Mr. Perkins. Will you have these minute books of the concern at Washington and Mr. Perkins without a subpœna?

Mr. REED. All these books?

The CHAIRMAN. Yes; every one of these minute books.

Mr. REED. Yes, sir.

(Whereupon the hearing adjourned, to meet at Washington on Tuesday, August 8, 1911.)

No. 20

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

TUESDAY, AUGUST 8, 1911

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

UNITED STATES STEEL CORPORATION.

SPECIAL COMMITTEE ON THE INVESTIGATION
OF THE UNITED STATES STEEL CORPORATION,
Tuesday, August 8, 1911.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

The CHAIRMAN. The committee will resume its session.

Mr. LINDABURY. If the committee please, there has been some testimony before the committee to the effect that the United States Steel Corporation owns from 60 per cent to 70 per cent of the available ores in the Birmingham district. I have received information from scientists of very high character and standing, in that some of them have written articles in newspapers——

The CHAIRMAN (interposing). The Manufacturers' Record?

Mr. LINDABURY (continuing). And I would like the privilege of suggesting the names of two or three of those to be called by the committee, at its convenience. You ought to hear them, it seems to me. One of them is Prof. Edwin C. Eckel, of this city, who was for a long time connected with the Geological Survey, and, I think, was its mining expert. He wrote an article, which you have doubtless seen, in the Manufacturers' Record, insisting that the United States Steel Corporation has only 17 per cent of the reserve ores of the southern territory. There are other scientists of equal character and standing whom I have heard of in similar lines. I do not wish to take the time of the committee to suggest that all of them be called, but to make a selection of two or three of them, if the committee will permit me to hand in those names.

The CHAIRMAN. The chairman can not speak for the committee; he will speak for himself. I regard the question as to the amount of the holdings of the United States Steel Corporation of raw material as the most vital question involved in this inquiry in its ultimate effect upon the industry of the country. The most acute situation is, probably, the transportation question. For that reason I shall welcome any evidence from any reputable concern, as much as it may surprise some people who probably have prejudged the committee almost as much as the committee has been thought to have prejudged your case, and I will hear with an open mind gladly any reputable scientist upon this question, with a mind just as open as it was when I went into the question of whether or not you had a monopoly of the coal.

Mr. LINDABURY. I am both surprised and delighted by the chairman's statement. Shall I ascertain if Prof. Eckel is in the city, with a view to calling him at this session?

The CHAIRMAN. With reference to that probably the most important question for the committee's consideration is the transportation question, and that has not yet been touched on, hinted at occasionally, and it may be the purpose of this committee to take a recess with the adjournment of Congress during the month of August and the hot part of September. I do not know; that is tentative, but in the event that they take a recess we will be glad to take it up as soon as we resume the hearing; that is, we shall take it up if it shall suit the convenience of the committee.

Mr. LINDABURY. I understand. Am I to infer from that that it probably would not be convenient for the committee to hear those witnesses this week, but if you sit next week, perhaps it would. Doubtless so many men are away on their vacations now that perhaps the gentleman I have referred to would find it more convenient to come later, but I want, in that respect, to conform entirely to the wishes and convenience of the committee.

Mr. BARTLETT. With reference to witnesses, Mr. Chairman, on this subject, I think it is important, because the resolution directs us to ascertain whether there is any restriction of competition in the matter of production, and it will be important to know what it owns, to see what it produces from its own properties. I do not understand that this committee is simply confined to such witnesses as it may desire to subpœna or to hear from. This investigation may seriously affect the corporation being investigated, and, so far as I am concerned, I want to hear all the evidence and I want to accommodate the gentlemen whose business arrangements are important. Therefore, I suggest or make a motion that the witnesses which the counsel for the United States Steel Corporation may desire to present may be heard at such time as is convenient to the committee. Those living here could, of course, probably await better the convenience of the committee than those living away. I suggest that the counsel be requested to furnish the committee the names and residences and have them subpœnaed at such time as suits the convenience of the committee and of the counsel.

Mr. LINDABURY. I understand. I conceive that the witnesses who live at a distance possibly would be more inconvenienced now than those who live in Washington, in case they happen to be away on vacation; but we will arrange about that.

Mr. BARTLETT. That is the reason I inserted the language "at such time as suits the convenience of the committee and of the counsel."

Mr. LINDABURY. So far as the United States Steel Corporation and its counsel are concerned, it will be just as convenient one time as another. I have not seen the gentlemen referred to, or many of them, and I have no idea what their convenience would be; but I think, perhaps, it would be very well if we had them all at one time so as to put in all the evidence together on this subject; but I will confer with the chairman, and we will arrange about that.

Mr. YOUNG. Have you a complete list of the witnesses that you desire to tender on this subject, and know who they all are?

Mr. LINDABURY. Yes; and no. I have a list so large that it will be necessary to make selections. I would not think it wise to call more than three or four of these gentlemen, and there are so many more.

The CHAIRMAN. That would be a good deal like condemnation proceedings, and I suppose you could get a hundred men on either side.

I think it would be well for Mr. Lindabury to have, as he has suggested, two or three of the most eminent scientists of the country, and to hear them at our convenience. Is there any objection to that arrangement on the part of any member of the committee?

Mr. DANFORTH. The only objection which occurs to me is that having had these witnesses on this subject from the Birmingham district, if we could have the others appear as soon as possible, we could finish that part of it.

The CHAIRMAN. Entirely so. There are witnesses subpœnaed.

Mr. LINDABURY. If the chairman pleases, we can ascertain, probably by telephone, whether Prof. Eckel is in Washington or not. I have not any idea. If he is, he doubtless could come at any time; and if the committee chooses, it could ask him to come to-morrow.

The CHAIRMAN. We have witnesses subpœnaed for to-morrow and the next day and the next day. We have witnesses already subpœnaed who will take up the time from now until Saturday.

Mr. LINDABURY. Then, it is not worth while for this week.

The CHAIRMAN. No, sir.

Mr. REED. Sunday there was received at the office of the United States Steel Corporation a note signed with your name, Mr. Chairman, but apparently not written by you, asking the details of an item of something over $1,000,000 of organization expenses. Am I to understand that it came with you authority?

The CHAIRMAN. Yes, sir.

Mr. REED. Then, I have that statement here [handing statement to the chairman].

The CHAIRMAN. The letter was dictated by me.

Mr. REED. It was not on the stationary of the House.

The CHAIRMAN. That was because it was written in New York.

Mr. LINDABURY. I take it, Mr. Chairman, that what we produce in answer to the formal demands of the committee goes in the record, does it not? I am referring now to the paper that my associate, Mr. Reed, just supplied you with—I suppose it goes in the record, does it not?

The CHAIRMAN. Oh, yes; it will go among the exhibits filed with the report. I want to use it in the examination of the witnesses.

Mr. LINDABURY. And then the record will show that it was called for?

The CHAIRMAN. Yes, sir; it will be inserted in the hearings. I will say this, in the way of publicity, there is nothing of the kind given me that I will not have put in the hearings gladly.

Mr. LINDABURY. Or anybody else.

The CHAIRMAN. Any objection to letting the world into my confidence does not come from this side.

Mr. LINDABURY. I had already formed a notion of that kind.

The CHAIRMAN. I requested Judge Gary to furnish the committee with a list of the various concerns in which he was a director, both the subsidiary companies of the United States Steel Corporation and other companies, and the list has been furnished me. It is very complete and made out in detail. I am very grateful. I received it yesterday or the day before.

I now make a request that you furnish the committee with a similar list of each one of the directors of the United States Steel Corporation by the 1st of October.

Mr. LINDABURY. As soon as we can have it prepared. The gentlemen are now scattered.

The CHAIRMAN. I would like to have it furnished by the 1st of October, in order that all this data may come in at one time and under one head, and so there may be order I suggest that this be placed in the record with the others when furnished.

Mr. LINDABURY. Very well. All institutions, including charitable and eleemosynary institutions?

The CHAIRMAN. I do not care anything about social or religious organizations, but industrial, railroad, and banking corporations. The interlacing of those concerns I am trying to get at.

Mr. LINDABURY. Concerns engaged in interstate commerce?

Mr. BARTLETT. I will read from the resolution:

Also whether said Steel Corporation, through the persons owning its stock, its officers, or agents, has or has had any relations with the Pennsylvania Railroad Co., or any other railroad company, or any coal companies, national banking companies, trust companies, insurance companies, or other corporate organizations or companies, or with the stockholders, directors, or other officers or agents of said companies, or with any person or persons, which have caused or have a tendency to cause any of the following results.

Then, in the third description is the following:

Combinations created by ownership or control by one corporation or the stockholders or bondholders thereof of the stocks or bonds of other corporations or combinations between the officers or agents of one corporation and the officers or agents of other corporations by duplication of directors or other means and devices.

Mr. LINDABURY. For a moment, corporations engaged in interstate commerce—that would cut out a whole lot which would be of no account.

The CHAIRMAN. No; I would rather have them all. We all want to know the exact status of the interlacing of the companies. It will save these gentlemen a great deal of trouble, because otherwise we will have to subpœna them, and I do not want to summon each man and conduct a long, tedious examination. The committee would have that authority, and it will have to come.

Mr. LINDABURY. I do not question your right for information. I think if the secretary will write a letter to each director asking him to furnish the information as to himself you would get the information I think probably by the 1st of October. Some of them may not be here until after that time.

Mr. BARTLETT. Of course we do not want the charitable institutions.

Mr. LINDABURY. In New Jersey we have a classification excluding corporations not organized for profit—that is, all social and eleemosynary institutions.

STATEMENT OF GEORGE W. PERKINS.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Mr. Perkins, at the organization of the United States Steel Corporation you were, I believe, a member of the firm of J. P. Morgan & Co.?

Mr. PERKINS. No, sir; I was not.

The CHAIRMAN. When did you become a member of that firm?

Mr. PERKINS. Shortly after the incorporation of the steel company.

The CHAIRMAN. How long after?

Mr. PERKINS. Well, a month or two.

The CHAIRMAN. What business were you engaged in at that time?

Mr. PERKINS. The life insurance business.

The CHAIRMAN. What company?

Mr. PERKINS. The New York Life Insurance Co.

The CHAIRMAN. In what capacity?

Mr. PERKINS. Vice president.

The CHAIRMAN. And what other capacity?

Mr. PERKINS. Chairman of its finance committee.

The CHAIRMAN. Of the New York Life Insurance Co.?

Mr. PERKINS. Yes, sir.

The CHAIRMAN. Were you associated with any other life insurance companies?

Mr. PERKINS. No, sir.

The CHAIRMAN. You were at that time, I believe, connected with the International Harvester Co.?

Mr. PERKINS. No, sir.

The CHAIRMAN. In 1901?

Mr. PERKINS. No, sir.

The CHAIRMAN. When did you become associated with that concern?

Mr. PERKINS. At the time of its organization.

The CHAIRMAN. What time was that?

Mr. PERKINS. I think, 1902.

The CHAIRMAN. I notice this entry in the minutes of the United States Steel Corporation——

Mr. YOUNG (interposing). The board of directors?

The CHAIRMAN. The finance committee, April 10, 1901:

Minutes of the first meeting of the finance committee of the United States Steel Corporation, held in the company's office on April 10, 1901.

Present Messrs. Bacon, Rogers, Ream, Widener, Gary, and Schwab. Messrs. Stetson and Perkins were also present. Mr. Perkins was invited to be present at future meetings of the committee, and for the present to keep the minutes.

How long did you keep the minutes of this committee?

Mr. PERKINS. I do not recollect.

The CHAIRMAN. You kept the minutes some time?

Mr. PERKINS. I think I kept them for a few weeks, or until the organization was perfected.

The CHAIRMAN. Who were the members of the firm of J. P. Morgan & Co. at the time you entered the company after the formation of the United States Steel Corporation?

Mr. PERKINS. You mean when I entered the firm?

The CHAIRMAN. Yes, sir.

Mr. PERKINS. I can not from memory give you all the members. I will give you as many as I can. Mr. J. Pierpont Morgan, sr., Mr. Robert Bacon, Mr. Charles Steele, Mr. E. T. Stotesbury, and Mr. J. P. Morgan, jr.

The CHAIRMAN. How many members of the firm of J. P. Morgan & Co., himself included, were directors in the United States Steel Corporation?

Mr. PERKINS. My recollection is that Mr. Morgan, sr., Mr. Steele, and Mr. Bacon were members of the first board.

Mr. LINDABURY. Which board is that?

Mr. PERKINS. The board of directors of the United States Steel Corporation.

The CHAIRMAN. How many?

Mr. PERKINS. You were referring to the board, not the committee?

The CHAIRMAN. The board of directors.

Mr. PERKINS. Yes, sir.

The CHAIRMAN. How many members of the firm of J. P. Morgan & Co. are now on the board of directors of the United States Steel Corporation?

Mr. PERKINS. Mr. Morgan, sr., Mr. Charles Steele, and Mr. Morgan, jr. My recollection is that there were——

Mr. YOUNG (interposing). You are not on the board just now?

Mr. PERKINS. Yes, sir; I am.

Mr. YOUNG. Then your name should be added?

Mr. PERKINS. No, sir. I am not now a member of the firm of J. P. Morgan & Co. For some time there were four members of the firm on the steel board; now there are but three members of the firm on the board.

The CHAIRMAN. Mr. Schley testified in New York that prior to the absorption of the Tennessee Coal & Iron Co. he had a conversation with you in the library of Mr. Morgan's house with reference to the advisability of having the United States Steel Corporation take over the stock of the Tennessee Coal & Iron Co. in exchange for bonds of the Steel Corporation. Do you remember that conversation?

Mr. LINDABURY. Will you let that question be read?

The CHAIRMAN. Certainly.

(The stenographer read the question as follows:)

"Mr. Schley testified in New York that prior to the absorption of the Tennessee Coal & Iron Co. he had a conversation with you in the library of Mr. Morgan's house with reference to the advisability of having the United States Steel Corporation take over the stock of the Tennessee Coal & Iron Co. in exchange for bonds of the Steel Corporation. Do you remember that conversation?"

Mr. LINDABURY. I did not catch the chairman's suggestion.

The CHAIRMAN. The corporation was organized in April, 1901, and this was on November 4, 1907.

Mr. LINDABURY. Pardon me, that may be right, but my recollection is that Mr. Schley said that the conference with Mr. Perkins was at his, Mr. Schley's, office on Fifth Avenue.

The CHAIRMAN. At both places.

Mr. LINDABURY. I may be mistaken. I only recall the one.

The CHAIRMAN. Do you remember meeting Mr. Schley?

Mr. PERKINS. Yes, sir; I had several conferences with Mr. Schley.

The CHAIRMAN. Do you remember that discussion with Mr. Schley in Mr. Morgan's library?

Mr. PERKINS. Do I remember it?

The CHAIRMAN. Yes, sir.

Mr. PERKINS. Yes, sir.

The CHAIRMAN. What was the substance of that conversation—what inducement did Mr. Schley give you for taking over the Tennessee Coal & Iron Co.?

Mr. BARTLETT. The first conversation?

The CHAIRMAN. Yes, sir.

Mr. PERKINS. Would you like me to give that whole incident as I remember it or, rather, to reply to specific questions?

The CHAIRMAN. Just as you remember it.

Mr. PERKINS. The question of rendering assistance to Mr. Schley's firm had been up in a general way for discussion for two or three days before Saturday, November 2, and on Saturday morning, through Mr. Ledyard, the matter was brought prominently to Mr. Morgan's attention at the library. Mr. Schley was there during the day, and the suggestion was made by some one—I do not remember who—that the only thing that would save Mr. Schley's firm from failure on the preceding Monday——

Mr. LINDABURY. The preceding Monday?

Mr. PERKINS. The succeeding Monday—was for somebody to render them very substantial financial assistance. Several acute stages of the panic before that day had strained the resources of the national banks, the private banking institutions, and the trust companies to the utmost in helping in various different directions.

Investigation showed that one difficulty with Moore & Schley was that they had a very large amount of the Tennessee Coal & Iron Co.'s stock in their various loans. Some of those were call loans, and some time loans, just maturing. Mr. Schley told me that these time loans could not be extended; that they could not meet them; that when they matured early the next week and were not paid, of course the banks would sell the securities in the loans, and that the forcing of the Tennessee Coal & Iron Co.'s stock on the market for sale would so break the price of it that all their call loans would have to be called by the banks, and that would precipitate a general crash in their affairs. The amount was so large, something like $30,000,000, in the matter of Moore & Schley's loans——

Mr. BARTLETT (interposing). Loans on everything?

Mr. PERKINS. Their total loans, and that it would be impossible for the banking interests to assume that obligation in addition to the other obligations assumed that week.

That is the reason why the matter came to the attention of the United States Steel Corporation, the idea being that perhaps in some way they could help. If it had been the case of a dry-goods concern in trouble, they would have turned to dry-goods people.

The CHAIRMAN. What reason did Schley give you in his effort to induce the house of J. P. Morgan and to induce the United States Steel Corporation to purchase this property? What did he say to you about this property?

Mr. PERKINS. Mr. Schley did not induce the Steel Corporation. It was any port in a storm with Mr. Schley. He did not care whether he had relief from the Steel Corporation or a bank or where.

The CHAIRMAN. Exactly; he had stock to sell.

Mr. PERKINS. No; he had loans to meet that were maturing.

The CHAIRMAN. Loans to meet?

Mr. PERKINS. Yes, sir.

The CHAIRMAN. And he had to make a transfer of his collaterals. He had noncurrent securities, and he wanted to exchange them, as I understand, for current securities?

Mr. PERKINS. No, sir; he wanted to be put in position where he could meet his maturing obligations.

The CHAIRMAN. He could meet them with current securities, could he not?

Mr. PERKINS. He did meet them.

The CHAIRMAN. He did not care whether you gave him money or bonds or chips or whetstones or what, if he could take the chips and whetstones to the banks and the banks would say, "All right; we will take your chips and whetstones and will not call your loan." That is what he wanted to do?

Mr. PERKINS. Exactly right.

The CHAIRMAN. He wanted to prevent the banks from saying, "Pay now or we will reach over and take these securities from you and offer them for sale."

Mr. PERKINS. He wanted to save himself from failure.

The CHAIRMAN. Exactly; and he thought he could save himself from failure by inducing the United States Steel Corporation to take Tennessee Coal & Iron Co. stocks and give them in exchange something that would be of more value to them; is not that it?

Mr. PERKINS. Not quite, Mr. Chairman. He thought he could get, possibly, something in New York to provide him with means to save him from failure.

The CHAIRMAN. Exactly. He was not especially after the Steel Corporation; he was looking for assistance. He was like a man selling a horse. A man selling a horse tells you how fast it will go——

Mr. PERKINS. Oh, but he does not care who he sells the horse to, if he gets his price. That is the point.

The CHAIRMAN. I understand that. He was there trying to get you to take over this Tennessee Coal & Iron stock. Did he tell you about the Tennessee Coal & Iron Co.'s property?

Mr. PERKINS. Trying to get who to take it over?

The CHAIRMAN. Get the Steel Corporation.

Mr. PERKINS. No, sir; he was not trying to do that.

The CHAIRMAN. What was he doing?

Mr. PERKINS. He was trying to get enough to provide him with means to save him from failure.

The CHAIRMAN. And he would just as soon you had taken the tobacco securities——

Mr. PERKINS. No; he would just as soon anybody else would have let him have $30,000,000 as for the Steel Corporation to let him have their bonds.

The CHAIRMAN. If you had said to him, "Here are a lot we will loan you from the vaults of Morgan & Co., $30,000,000 of Union Pacific," that would have done just as well?

Mr. PERKINS. Yes; or if he had met you going up the street and you had given him your personal check for $30,000,000, he never would have mentioned it to the Steel Co.

The CHAIRMAN. There were a hundred ways he could have had relief.

Mr. PERKINS. There were a hundred ways in which he might have been relieved if the situation would have permitted it, but the thing was so tied up and narrowed down that he could not get his accommodation anywhere else. We had been through one crash after another up to this time in this panic.

The CHAIRMAN. He came to you for relief?

Mr. PERKINS. Of any kind.

The CHAIRMAN. He came to you for relief?

Mr. PERKINS. That is correct.

The CHAIRMAN. He wanted any kind of relief he could get; he was grasping at a straw like a drowning man?

Mr. PERKINS. That is right.

The CHAIRMAN. The only relief the house of J. P. Morgan & Co. could think of was to have him exchange Tennessee Coal & Iron Co. stocks for bonds of the United States Steel Corporation?

Mr. PERKINS. That is correct, Mr. Chairman.

The CHAIRMAN. It was a matter of a little difference whether he came to Judge Gary or Mr. Frick or Mr. Morgan, is that right?

Mr. PERKINS. No, sir; I do not say that that made any difference.

The CHAIRMAN. Because Mr. Morgan was from the beginning, the actual head of the firm and the power in the United States Steel Corporation?

Mr. PERKINS. At that particular moment he was the chief life-saver in that panic situation.

The CHAIRMAN. When this corporation was created, was he not then its chief life-saver and guide and authority?

Mr. PERKINS. He was its chief organizer; yes sir.

The CHAIRMAN. You are acquainted with this document [indicating], are you not?

Mr. PERKINS. I do not recollect ever having seen it before.

Mr. LINDABURY. Is that the book the key to which I am supposed to have produced to the committee?

The CHAIRMAN. This is the book that was not filed with the committee in the first place.

On July 2, 1901, at 1.30 p. m., I find this entry:

Judge Gary thinks Mr. Morgan as the responsible head of the house that had the responsibility of bringing out this concern, should have the opportunity of being consulted as a member of the board of directors or otherwise.

That was the policy from the beginning, was it not, of the United States Steel Corporation?

Mr. PERKINS. Yes, sir.

The CHAIRMAN. When this concern was organized, the United States Steel Corporation, had they offices at which their committees could meet, in 1902, the year after the organization in June, 1901?

Mr. PERKINS. My recollection is it was a few weeks, or some little time elapsed before they had offices—formal offices.

The CHAIRMAN. I find from an examination of these minutes that from April 10, 1909, to September 23, 1902, most of the meetings of the executive committee of the United States Steel Corporation were held at the office of J. P. Morgan & Co. Do you know why that was?

Mr. PERKINS. Purely as a matter of convenience.

The CHAIRMAN. To whom?

Mr. PERKINS. Everybody, and probably because it was just in the period of the organization of the corporation, and until the formal offices were opened and in running order.

The CHAIRMAN. Was it any more convenient to anybody except Mr. Morgan? Were not the offices of the Steel Corporation as accessible as the offices of J. P. Morgan & Co.?

Mr. PERKINS. I think I have just testified my recollection is we did not have any offices—that is, our offices were not formally opened

and established for some time after the actual incorporation of the Steel Corporation.

The CHAIRMAN. Had Mr. Morgan ever had any experience in the industrial world? Had he ever been the head, I mean, of any great manufacturing concern?

Mr. PERKINS. That is rather two questions that you have asked at one time.

The CHAIRMAN. Was he ever a manufacturer of iron, cloth, or any fabric, or any material of any kind?

Mr. PERKINS. So far as I know, not an actual manufacturer in a technical sense, but, of course, for nearly half a century Mr. Morgan has had very broad and close relations with all such kinds of business.

The CHAIRMAN. He is essentially a banker, is he not?

Mr. PERKINS. I would call him a merchant-banker.

The CHAIRMAN. He never was brought into touch, for instance, with labor organizations. He never was a foreman or a superintendent or a director of great bodies of men wherein he had to deal with their personal troubles, was he?

Mr. PERKINS. I do not know of anyone who has been in closer touch with just such matters. I do not know that he was ever a foreman, but as to his having been a laborer, I can testify he has labored most of his life, very assiduously.

The CHAIRMAN. I agree with you; I agree with you. I think the higher men get up in the financial world or in the political world, or anywhere else, the harder they work. No one could question Mr. Morgan's activity and industry, nor his superb talent and genius for business. I am not criticizing him in that respect at all. But what I am asking is, if he ever, like Schwab and Gary, came up through that realm in which he was shoulder to shoulder with the men at the anvil or the machine or in the mine?

Mr. PERKINS. Of course, Mr. Morgan never was a day laborer in the sense to which you refer, but his knowledge of the conditions under which such men have worked, his sympathy with their condition, and his readiness to always stand for what their rights were has been a matter of common knowledge to everyone who is associated with him.

The CHAIRMAN. I notice in 1909 an entry in the meetings of your finance committee, "Cables from Morgan regarding wage question." Where was Morgan at that time; do you remember?

Mr. PERKINS. That was in April, 1909?

The CHAIRMAN. Yes; that is right.

Mr. PERKINS. He was somewhere in Europe.

The CHAIRMAN. I find this telegram:

AIX LES BAINS.

E. H. GARY, *New York:*

Have received your cable of yesterday. My own views are in accordance with those of the finance committee in New York. Certainly until question of wages has been settled by the coal and railroads, which still in abeyance, but settlement seems imminent. Whole question wages should be settled simultaneously by all interests, if possible. Going Paris Wednesday. Will see then H. C. F., P. A. B. W., and will cable you result of interview. If possible, and meets your approval, think better wait until after interview. Perfectly delightful here. Weather superb.

J. P. M.

Mr. Frick and Mr. Widener at that time, as the minutes of your committee meeting show, if I am not mistaken, were fixed in their set determination that the organizations of labor, labor unions, and the like, should be discouraged, and their further spread prevented. Is not that right?

Mr. PERKINS. No, sir; I think that cable probably referred to a row I was having with Mr. Corey at that time about the labor situation. I do not know that it is right to say "a row," but a difference.

The CHAIRMAN. It was a difference of opinion, and I am not charging the United States Steel Corporation with any hostility toward organized labor; but what I am getting at is that Frick gave war always, from the date of the Homestead troubles until now, as a courageous and inveterate enemy of organized labor.

Mr. PERKINS. I think you will have to ask Mr. Frick that question.

The CHAIRMAN. Has not that been his policy in your committee meetings?

Mr. PERKINS. No; it has not; that has not been his policy.

The CHAIRMAN. I noticed in your finance committee meetings—without turning to them, though I have them here in front of me—that from November 2, 1907, and November 4 and November 5, and on through, your meetings were held two or three times a day, and the memorandum appears, "Morgan, by request," at each of the meetings. Why was that put in? Why was that memorandum made there? I never find it as to any other person present.

Mr. PERKINS. Because he was not legally a member of the finance committee. He was a member of the board of directors, and the finance committee asked him as a member of the board of directors to attend meetings now and then.

The CHAIRMAN. Do you know what was the average balance on deposit belonging to the United States Steel Corporation kept with the firm of J. P. Morgan & Co.?

Mr. PERKINS. I could not testify from memory.

The CHAIRMAN. Do you have any idea?

Mr. PERKINS. No, sir. They were very large balances, but I do not know the amounts.

The CHAIRMAN. About how much cash on hand did they usually keep—$75,000,000?

Mr. PERKINS. The Steel Corporation has had from $40,000,000 to $75,000,000 at various times on hand in all its bank accounts all over the world. That was the aggregate of all balances everywhere.

The CHAIRMAN. What was the average rate of interest paid on deposits to the United States Steel Corporation with Morgan?

Mr. PERKINS. I do not remember that.

The CHAIRMAN. Did you pay him 2.6 per cent?

Mr. PERKINS. Does the record show that?

The CHAIRMAN. I think so.

Mr. PERKINS. The record doubtless is right.

The CHAIRMAN. What would their rate be as paid by other banks?

Mr. PERKINS. I suppose the records would show that.

Mr. REED. You do not mean the corporation paid Mr. Morgan's firm 2.6 per cent? It is just the other way, you mean, Mr. Chairman?

The CHAIRMAN. Yes. Morgan paid the United States Steel that rate of interest.

Mr. REED. The bank paid interest on the deposit.

The CHAIRMAN. Yes.

Mr. LINDABURY. Would you mind asking, Mr. Chairman, if the Morgan account was an active account?

The CHAIRMAN. Certainly not.

Was it an active account, Mr. Perkins?

Mr. PERKINS. It was.

The CHAIRMAN. When the firm of J. P. Morgan & Co. paid $25,000,000 toward the surplus of the Steel Corporation upon organization, how much of that was allowed to remain on deposit with Morgan & Co.?

Mr. PERKINS. I do not know.

Mr. LINDABURY. Mr. Chairman, may I ask you a question?

The CHAIRMAN. Certainly.

Mr. LINDABURY. The Steel Corporation had a great many banks of deposit, and if you will permit us we will prepare a statement showing the interest each one of them paid, not merely Messrs. Morgan & Co., but what each paid.

The CHAIRMAN. I would be very glad to have that.

Mr. LINDABURY. May we do that?

The CHAIRMAN. You may; and the yearly averages deposit also, if you can.

Mr. LINDABURY. Whatever we have we will give you.

Mr. McGILLICUDDY. The average balance and not the average deposit.

The CHAIRMAN. Yes; they probably have it that way.

Mr. BARTLETT. And the rate of interest paid on the balances.

Mr. LINDABURY. And the rate of interest paid on the balances, which I understand to be the usual bank practice.

The CHAIRMAN. I find this question here. I find from the books of the Steel Corporation the firm of J. P. Morgan & Co. paid out some $3,000,000 at the organization of the company, which came out of profits of the syndicate, and I want to know what that was spent for. Do you know what that money was spent for?

Mr. PERKINS. No, Mr. Chairman, I do not.

The CHAIRMAN. Do you know what disposition was made of that $3,000,000?

Mr. PERKINS. No, Mr. Chairman, I do not.

Mr. YOUNG. $3,000,000 out of the $25,000,000?

The CHAIRMAN. No.

Mr. LINDABURY. It was a syndicate disbursement.

Mr. MACRAE. It would not appear on the books of the Steel Corporation. It was stated by Mr. Winslow and some one else in the Steel office that in trying to arrive at the compensation of J. P. Morgan & Co., the syndicate made the original issue, and in taking the $25,000,000 contributed to surplus of the Steel Co., they spent $3,000,000. What it was spent for we can not find out unless the syndicate or J. P. Morgan & Co. will tell us. The Steel books would not show.

The CHAIRMAN. Do you know what that money was spent for, Mr. Perkins?

Mr. PERKINS. No, sir; I do not.

The CHAIRMAN. Was not a good deal of that spent for stocks of the Steel Co. that were distributed among various people?

Mr. PERKINS. I have testified I do not know.

The CHAIRMAN. In that connection I find this next question: The books of the Steel Corporation show $1,041,000 were spent and charged to cost of property. What were those expenses paid for? They have answered that—that is, answered by this statement [indicating]. If you care to make that a part of your answer——

Mr. PERKINS. I really would not make it as my answer.

Mr. LINDABURY. I do not think the witness knows anything about it. That was prepared by our auditor and is undoubtedly correct.

The CHAIRMAN. I will then state that I intended to ask Mr. Perkins this question, but as he does not know and as this comes in at this point, I will state a statement has been filed which does answer that question, and I will let it go in at this point as throwing light on this particular question.

Mr. LINDABURY. That is a statement produced at your request?

Mr. YOUNG. This is a statement furnished by the Steel Corporation.

Mr. LINDABURY. At the request of the chairman?

The CHAIRMAN. At the request of the chairman.

(The statement will appear later in the record.)

Mr. Perkins, at a meeting of the Finance Committee, on April 10, 1906, Messrs. Perkins (in the chair), Baker, Frick, Gary, Phipps, Ream, and Widener being present, I find this entry:

The chairman of the board of directors referred to a request received for an appropriation toward the expenses necessarily incident to the campaign of a leading politician who was a candidate for reelection, and stated that inasmuch as the question had been raised as to whether or not the management of a corporation had a right to make contributions of this character, recommended that the opinion of some of the ablest lawyers concerning the whole subject matter be secured, that the members of the committee may feel certain they are at all times observing the full requirements of the law on the subject.

Do you remember that?

Mr. LINDABURY. Did you state the date, Mr. Chairman?

The CHAIRMAN. April, 1906.

Mr. YOUNG. There is another entry on that same subject a little later, is there not?

The CHAIRMAN. Yes. Who was that leading politician, Mr. Perkins?

Mr. PERKINS. I have no recollection.

The CHAIRMAN. Had he ever held any very high executive office in New York or in the United States Government?

Mr. PERKINS. It would be rather difficult for me to answer that when I do not recollect who it was.

The CHAIRMAN. You have no idea?

Mr. PERKINS. No, sir.

The CHAIRMAN. Was it not a matter of such importance that on June 12, 1906, you secured a written opinion from John G. Johnson, of Philadelphia, and David T. Watson, of Pittsburgh, that this corporation had no right to make contributions for political and charitable purposes?

Mr. PERKINS. The particular instance to which you refer was not important, but the frequently recurring request from many sources.

The CHAIRMAN. Sir?

Mr. PERKINS. There were frequently recurring requests of a similar character from many sources. Any particular one would not be remembered.

The CHAIRMAN. What advice did you receive? I do not ask about relations between attorney and client, but they advised you that you could not legally do it?

Mr. PERKINS. I beg your pardon; I do not understand your question.

The CHAIRMAN. They advised you you could not do that sort of thing; that was your advice from your lawyers. I think they advised you perfectly correctly. Your advice was you could not do it. Was not that right?

Mr. PERKINS. You are making a statement, sir.

The CHAIRMAN (reading):

A written opinion from John G. Johnson, of Philadelphia, and David T. Watson, of Pittsburgh, that this corporation has no right to make contributions for political or charitable purposes.

You got that advice. Your books say that you got that advice. I am reading to you from the minutes of the concern.

Mr. PERKINS. I understand.

The CHAIRMAN. You were present at the time that advice was received?

Mr. PERKINS. Do the minutes show that?

The CHAIRMAN. I think they do. They show you were present at this meeting and in the chair.

Mr. LINDABURY. Do you mean the minutes show he was present at the meeting which records the advice given?

The CHAIRMAN. I think they do. I have not the memorandum here at the moment.

Mr. LINDABURY. I do not know at all, only I wanted to be sure what your statement meant.

The CHAIRMAN. It shows Mr. Perkins in the chair.

Mr. PERKINS. When?

The CHAIRMAN. When that advice was given on June 12, 1906, Present: Messrs. Perkins, in the chair, and others.

Written opinion from Messrs. John G. Johnson, of Philadelphia, and David T. Watson, of Pittsburgh, that—

In capitals and underscored—

This corporation has no right to make contributions for political or charitable purposes.

Mr. PERKINS. I do not care to see it, Mr. Chairman.

The CHAIRMAN. It is underscored and in capitals.

Mr. PERKINS. I am quite satisfied with your reading of it.

The CHAIRMAN. Do you remember that advice being received, that written advice?

Mr. PERKINS. I do not recollect it particularly; but now that you read it, in a general way I remember we had such advice. I would not have remembered it if you had not read it from the minutes.

The CHAIRMAN. You know that advice was given?

Mr. PERKINS. I know it, because you read it from the minutes.

The CHAIRMAN. What is the standing of these two men in their profession?

Mr. PERKINS. Which two men?

The CHAIRMAN. Johnson and Watson, one at Pittsburgh and the other at Philadelphia?

Mr. PERKINS. Excellent, so far as I know.

The CHAIRMAN. Do you know whether the company followed that advice or not?

Mr. PERKINS. I do not doubt that they did.

The CHAIRMAN. I will ask you if you did not after that contribute out of the funds of the United States Steel Corporation for the publication of documents intended for political purposes and for affecting political opinions, and that had nothing on earth to do with the organization of the company or its operation?

Mr. PERKINS. May I ask to have that question read to me?

The CHAIRMAN. Certainly. Mr. Stenographer read the question.

(The stenographer read the last preceding question to the witness.)

Mr. LINDABURY. Would you mind making your question a little more specific, as to whether this was——

The CHAIRMAN. I will make it this specific: That on January 12, 1911, I find in the files of the United States Steel Corporation the following letter, which I will read to you and ask if you know anything about it:

Hon. E. H. Gray, chairman United States Steel Corporation, 71 Broadway, New York. Dear Judge——

Mr. PERKINS (interrupting). That is this last January just past?

The CHAIRMAN. Yes. [Continues reading:]

I have waited until you could have your meeting with the steel manufacturers off your mind before writing to you about an important matter which has been on my mind for several weeks. In November last, after the election was over, I received a call from the Hon. George B. Curtis, of Binghamton, N. Y., a lawyer like yourself, United States district attorney, and the author of "Protection and Prosperity," the most valuable contribution to the world's tariff history that has ever been written. I send you a copy of the book by express to-day and hope that you can find time to examine it. Mr. Curtis called to urge our association to assist him in publishing a second edition of his book—this time in two volumes. He said, which I myself also firmly believe, that our protective policy, upon which the whole prosperity of the country rests, is in danger of going down to defeat if extraordinary efforts are not now made to educate the people to sustain it, and particularly the leaders of the Republican Party. This can be done only through the liberal use of printers' ink in books, newspapers, and magazines, the lack of which liberal use in recent years is one leading cause of the demoralized state of the public mind to-day on the tariff question, another cause being the evil influence of men who have been elected or appointed to high office as protectionists, but who are at heart free traders so far as free trade is possible in this country.

Mr. Curtiss said that he has already revised Protection and Prosperity, which was published in 1896, bringing down to the present time all essential details of tariff legislation in Great Britain, Germany, and the United States, particularly in our own country. As his book is really a cyclopedia his thought was that the new edition should be placed in the hands of every Senator and Representative in the new Congress, and as a book of reference for professors and students in our colleges and universities; also in the offices of leading newspapers. An estimate of the cost of a new edition of 3,000 sets (in two volumes) will be found in a letter to me which I requested him to write and a copy of which you will find inclosed. Please notice that Mr. Curtiss asks and expects no reward for the labor he has expended or may expend in the preparation of a new edition. His work upon it would be a labor of love entirely. He could have everything in readiness for the publication of a new edition early in the coming summer.

In my interview with Mr. Curtiss in November I frankly told him that I could not guarantee the payment of the $8,000 that would be necessary to publish the 3,000 copies of his book—that we had no fund that we could draw upon for this purpose. He suggested that I submit the matter to a few of the leading members of the association, which I promised to do, but I said that I could not do this immediately. It so happened that Mr. Curtiss was again in town last

week on professional business and called to see me. He is a gentleman of very great ability. I wish you could see him.

The history of this association from the beginning has always embraced the care of our tariff interests. Until the death of Mr. Wharton and my own hospital experience we both gave our personal attention to Washington affairs. For many years we compiled and printed tracts which were systematically distributed in all States that were doubtful on the tariff question. We encouraged the preparation of textbooks dealing with the doctrine of protection and have paid for their publication—books by Henry C. Cary, Judge Kelly, Dr. William Elder, Prof. Van Buren Denslow, Prof. R. E. Thompson, David H. Mason, Giles B. Stebbins, and Gov. Henry M. Hoyt. These books we placed in libraries and sent to Congress. Of course all the work I have mentioned cost many thousands of dollars, but this work, in conjunction with that done by the other trade organizations, has kept out protective policy practically unharmed to the present time. We had in our association for many years what was called a tariff fund. We have had no such fund for a number of years, else I would not have brought to your attention the special work done for me by Speaker Reed and the needs of the Home Market Club.

A protective tariff or a virtual free-trade tariff is the issue to be settled in 1912. I suppose it is useless to take any steps to prevent the present Tariff Board from being made a permanent tariff commission, but we do not want its recommendations or conclusions looking toward free trade to be approved by Congress or to be embodied in the Republican national platform of 1912. Even if the duties on iron and steel could be further reduced without serious injury to our iron and steel industries so far as prices and foreign competition are concerned, the iron trade of the country could not be prosperous if serious injury should be done to other industries through tariff reductions.

Our iron and steel manufacturers must have a prosperous country to insure them an active home market for their products. Of course, you know all this. I mention this partly because in 38 years spent in this office I have many times witnessed the disastrous effects upon the iron trade of low duties or the efforts of our enemies to enact them.

This is already a longer letter than I intended to write. What I would like to have you do is to ask your finance committee to approve a contribution of $4,000 toward the publication of Mr. Curtiss's two volumes. If the committee will do this I will ask the following companies to contribute $1,000 each: Republic, Pennsylvania, Lackawanna, Jones & Laughlin, and Cambria, making altogether $9,000. This is $1,000 more than the $8,000 mentioned, but the packing, expressage, etc., on 3,000 sets of two volumes each would cost a large sum, all to be accounted for, of course. All checks to Mr. Curtiss when the books are ready for distribution. There is no immediate hurry for an early, but an early reply would be appreciated.

Very truly, yours, JAMES M. SWANK.

Do you remember the letter? Did you ever see it?

Mr. PERKINS. I do not remember it, and to the best of my recollection never saw it.

Mr. BARTLETT. Of course this is a copy from which the chairman is reading. Did you ever see the original or hear the original read?

Mr. PERKINS. No, sir. I mean just what the question and answer implied.

Mr. BARTLETT. We do not want to haggle about technicalities.

Mr. PERKINS. Not at all.

Mr. MCGILLICUDDY. Did you ever know anything about that request being made of your company in any form?

Mr. PERKINS. I have no such recollection. The minutes, I should think, would show, if it was submitted to the committee.

The CHAIRMAN. The minutes show on Tuesday, January 17, 1911, there were present Judge Gary in the chair, Messrs Corey, Frick, Morgan, Perkins, Phipps, Ream, and Widener.

The chairman presented a letter addressed to him by James M. Swank under date of January 12, urging the contribution of $4,000 toward the $9,000—

This is all in capitals and underscored with red ink—.

Required to pay the expenses of a second edition entitled "Protection and Prosperity," written by George P. Curtiss, of Binghamton, N. Y. On motion, by affirmative vote of all present, the question was referred to the chairman with power.

Mr. PERKINS. Does it happen to say to what account the expenditure was to be charged?

The CHAIRMAN. No, sir.

Mr. PERKINS. It seems to me it should have been charged to "Welfare work." We do a great deal of that.

The CHAIRMAN. That "Welfare work" came out of the coffers of the United States Steel Corporation?

Mr. PERKINS. We do a great deal of welfare work.

The CHAIRMAN. That is not affected by the opinion of these attorneys that you could not contribute to political and charitable purposes?

Mr. PERKINS. I say welfare work, because I think the educational purposes outlined in that letter are proper.

The CHAIRMAN. Your lawyers did not seem to think so.

Mr. PERKINS. The opinion of the lawyers was not on that subject at all.

The CHAIRMAN. You have a "welfare" fund. I will ask you if you have not contributed regularly about $3,000 out of that welfare fund to the Protective Tariff League, and your books show it to be a fact?

Mr. PERKINS. I beg your pardon?

The CHAIRMAN. Have you not also contributed $3,000 to the Protective Tariff League every year and your books show it?

Mr. PERKINS. Not to my knowledge; no, sir.

Mr. MCGILLICUDDY. Have you any doubt now that you were present and did know all about that letter you testified about?

Mr. PERKINS. Not the slightest, although the letter may not have been read in the length there that it has been read to-day.

Mr. BARTLETT. Do you mean to say you have not the slightest recollection or have not the slighest doubt?

Mr. PERKINS. I have not the slightest doubt that the matter was spoken of and I knew about it and voted to do it.

Mr. LINDABURY. The minutes show the action taken on that request, do they not?

The CHAIRMAN. There is an answer to this letter, and we are advised the money was paid. There is no doubt about that.

Mr. LINDABURY. That is a mistake, Mr. Chairman.

Mr. BARTLETT. The book was published.

Mr. LINDABURY. But the Steel Corporation did not contribute $4,000 or anything like it to that book.

The CHAIRMAN. $3,000.

Mr. LINDABURY. My recollection is they contributed $1,000 toward this book, but I am not entirely sure about it. It was some much smaller sum that $4,000.

The CHAIRMAN. We are advised by your bookkeeper that the money was paid, $3,000, and we did not go any further into it. If you want us to do so, we will put the experts back on the books.

Mr. LINDABURY. I think they contributed $1,000.

The CHAIRMAN. Your auditor says $3,000.

Mr. LINDABURY. He is undoubtedly right, if he said so. My recollection was it was $1,000, but I am not sure about it.

The CHAIRMAN. You have heard that story about forgiving a certain indiscretion because it was a very little one?

Mr. LINDABURY. We all do that.

The CHAIRMAN. I want to call your attention to this provision here:

The president reported that the executive committee had considered and recommended the following expenditures—

The minutes show George W. Perkins in the chair.

Mr. PERKINS. The executive committee?

The CHAIRMAN. No; this is the finance committee, a meeting of the finance committee held at the office of J. P. Morgan & Co., in the city of New York, Tuesday, July 1, 1902, at 2.30 o'clock p. m.,; present: Messrs. Perkins (in the chair), Gary, Ream, Rodgers, Schwab.

The president stated the American Protective Tariff League has requested this company to subscribe toward its support. On motion and by the affirmative vote of all present the president was authorized to contribute, on behalf of this company, the sum of $2,000 for the current year to such purpose.

The date of that is July 1, 1902. Do you remember about that?

Mr. PERKINS. No, sir.

The CHAIRMAN. Do you not know, without looking at these books, Mr. Perkins, that every year you contributed two or three thousand dollars to the Protective Tariff League?

Mr. PERKINS. Mr. Chairman, a man occupied with all the different questions of business that I have had could not possibly get anywhere if he charged his memory with details. What you read to me from the minutes I am quite ready to accept as a fact. There is no argument about it. Whatever was submitted in questions of that sort was acted upon by us and openly placed on our minutes.

The CHAIRMAN. And the minutes locked up.

Mr. PERKINS. I beg your pardon; you have asked for the minutes, and we have produced them without any question.

Mr. YOUNG. How is it material what they contributed to the Tariff League?

Mr. PERKINS. May I ask what connection that had with the advice we received from Mr. Johnson?

Mr. BARTLETT. Mr. Chairman, I do not think that is a proper suggestion from the witness.

Mr. PERKINS. I beg your pardon, Judge. So far as I am concerned——

Mr. BARTLETT (interrupting). Permit me to say, Mr. Chairman, that so far as I am concerned, I object that the chairman or the committee should be subjected to any such questions or criticism by the witness.

Mr. STERLING. I think the witness has a right to know the trend of the examination and the purpose of it.

Mr. BARTLETT. I used the word "criticism," and I meant it. The witness can decline to answer, or he can say he does not know. The chairman has asked with reference to a letter written by their counsel, and the purpose of it here is to show that, in spite of the fact that counsel's letter suggested a certain course or that a certain course could not be pursued, they did pursue it.

Mr. STERLING. I am not objecting to anything except I think the witness has a perfect right to ask the question to determine the extent and purpose of the examination. I do not think the witness ought to be called down for trying to find out what relation it has to the issue before the committee.

The CHAIRMAN. I realize very often the chairman is overindulgent, perhaps, but he is a most kindly and patient man ordinarily, and I have assumed, while the question of the witness was perhaps ill advised, that it was unintentional.

Mr. PERKINS. It certainly was, Mr. Chairman; my only desire is to help in any way I can to make the matter plain.

The CHAIRMAN. I want to treat the witness with courtesy, of course.

Mr. BEALL. I would like for the witness to reconcile a contribution of that kind with the advice given him by counsel.

The CHAIRMAN. I want to ask about this matter first.

I find in the executive committee meetings on January 24, present Messrs. Charles Steel in the chair, Mr. George W. Perkins, and others:

The president presented the matter of a subscription to the American Protective Tariff League, and upon motion, duly seconded, it was voted to subscribe thereto to the extent of $3,000.

I find this in all your meetings.

Mr. LINDABURY. Did you give the year?

The CHAIRMAN. The same year, 1902. Now, Mr. Perkins, I understand thoroughly you can not carry in your mind every detail, but the thing that makes great business men like Mr. Morgan and Mr. Perkins and Mr. Schwab is their mastery of details. If they did not master these details they would not succeed. This is not a detail. This is a policy about which you secured the advice of the greatest lawyers on this continent. Was it not your fixed policy to contribute liberally to the maintenance of a political dogma that you regarded as especially appropriate to your business?

Mr. PERKINS. The minutes you just read were of what date?

The CHAIRMAN. June 24, 1902.

Mr. PERKINS. What date did we receive this advice from Mr. Johnson?

The CHAIRMAN. You received that advice from Mr. Johnson in 1906 or 1907.

Mr. PERKINS. Four or five years after the date of the minutes you read?

The CHAIRMAN. But what I am driving at is this: This is a question of such vital importance that you yourself began to think that maybe this was not a very safe thing to do or a very legal thing to do, or a very wise thing to do, or you would not have summoned from Pittsburgh Mr. Watson, and from Philadelphia Mr. Johnson, and incorporated in your minutes a resolution that they had been asked, and then incorporated in your minutes their opinion, which contains fully the details of your business—then incorporated in your minutes the fact that they had filed a written report that you could not even contribute to charitable purposes, that you could not erect a hospital; and yet is it not true that both before and after you received that advice, you persisted in this sort of practice.

Mr. PERKINS. It is true that before and after we received advice we made the contributions that the minutes of the finance committee show. It is equally true that we did not consider that advice pertained to such legitimate payments in connection with the business of the company.

Mr. BARTLETT. You put the promulgation of information upon a political or economic question upon a higher plane than you do charities?

Mr. PERKINS. We put it in an ordinary pursuit of our business there.

Mr. BARTLETT. Your attorney advised you you could not contribute to a political campaign or to a charitable purpose, did he not?

Mr. PERKINS. Yes, Judge; but these were contributions that were being asked for straight out all the while by politicians to finance their own campaigns, here and there and everywhere. We were beset on all sides all the while by people for that purpose. I doubt if you gentlemen realize the extent to which business men have been besieged with those requests.

Mr. BARTLETT. There is no criticism to make of your efforts to protect yourselves from that sort of importunity; but the question I desire to ask is when you did act, either in accordance with or contrary to the advice of your counsel, you did not contribute to a specific campaign fund or eleemosynary or charitable purpose, but when you did contribute you contributed to a subject that you put on a different plane or higher plane than that, to wit, the dissemination of books and papers to be used for political purposes.

Mr. PERKINS. Our policy has been to contribute money to the Y. M. C. A. organization ever since we got that opinion from Mr. Johnson. The publication of these works, it seems to me, is a perfectly legitimate undertaking. Certainly we do not interpret Mr. Johnson's letter in the way you do. It may be we were wrong, but we never had any such interpretation.

Mr. BARTLETT. I do not mean to say that I know of any law of the United States or any act of Congress that prevented you from contributing even for political purposes, as to anything that was done down to 1904.

Mr. PERKINS. There was such a law in New York State.

Mr. BARTLETT. I did not know that.

The CHAIRMAN. I am not speaking of the matter at present with reference to the right or wrong of Mr. Swank's book. I am trying now to determine, and I will determine, to what extent Mr. Swank is in the service of the Federal Government and to what extent he prepares policies for the Geological Survey, and just to what extent he advises us as a scientist and advises you as a politician, because this will show the situation and throw some light upon Mr. Swank's figures.

If, however—and I want to state this for the benefit of this committee, and to explain my own attitude as well—this committee should go into the banking business, some of us ardently believing in the doctrine of a high protective tariff and others of us believing in a tariff for revenue only, say—and I have abstained from political discussions altogether in this thing—I, as president of the bank could not, as I see it, give that bank's check for the purpose of dissemination of a Democratic campaign fund, because when I did I would

either deceive my stockholders by not advising them of my action, or I would simply use the brute force of the majority to unwillingly apply the proceeds of a business to which they were entitled to a propaganda to which I alone was attached, and, in that case, as I see it, it would be a moral wrong.

Mr. PERKINS. Of course, in this action we were not deceiving our stockholders because we spread it on our minutes.

The CHAIRMAN. I do not deceive a man if I put a revolver at his head and say, "Stand and deliver," but it is morally a wrong. You do not have to take a man's property secretly to commit a moral wrong. If you take it forcefully and against his wish, and for a purpose not authorized by the letter of your charter, it is a forcible taking.

Mr. BEALL. Mr. Perkins, you mentioned something which you termed your "welfare fund," or work?

Mr. PERKINS. Yes.

Mr. BEALL. Will you give the committee some idea as to what your welfare work embraced?

Mr. PERKINS. It is a common expression for work among the men at the mills for improving conditions that surround labor, making better sanitary conditions, and appropriations to in any way possible improve the conditions of humanity, so to speak, as it affects those working in the business or employed by the corporation.

Mr. BEALL. Would contributions such as have been mentioned here by the chairman and such as mentioned in the records and letters come within that scope?

Mr. PERKINS. No, sir; I rather meant that in a facetious way; that it was welfare work in that it was educational work. It was spending money to present the facts on that side of this great question.

Mr. BEALL. To what extent did you engage in work of that kind?

Mr. PERKINS. Not to any very great extent.

Mr. BEALL. Were those contributions for these and other kindred purposes frequent?

Mr. PERKINS. No, sir; I do not recollect that there were very many. In fact, I have no distinct recollection.

Mr. BEALL. Were they in large amounts?

Mr. PERKINS. I should say not; no, sir.

Mr. BEALL. Could you give me an idea of the scope to which it would apply? For what purpose, within your knowledge or within your recollection, did your corporation make appropriations of this kind?

Mr. PERKINS. Speaking very broadly, I should say we would consider we had the right to spend money to further all interests of the corporation of a business nature that we felt were honorable and proper.

Mr. BEALL. You thought it would further the interests of your corporation to disseminate information favorable to the maintenance of a high tariff upon your product?

Mr. PERKINS. A tariff, Mr. Beall.

Mr. BEALL. Very well, a tariff. You made appropriations for that purpose?

Mr. PERKINS. I think this would come under such head.

Mr. BEALL. You considered it, did you, to the interest of your organization to use your influence that certain parties should remain in power or that certain individuals in a certain office should be successful or unsuccessful?

Mr. PERKINS. No, sir; I would regard money spent in this way as advocating a principle rather than a man.

Mr. BEALL. Men sometimes represent principles.

Mr. PERKINS. You are quite right, sir.

Mr. BEALL. And frequently, in order to promote a principle, it is necessary to promote the fortunes of some man.

Mr. PERKINS. Yes, sir; but there is a very great difference between contributing cash to a certain man or to elect a certain man to a certain office and contributing money to generally disseminate information to the public, that they may decide, having had the pro and con of the question before them, how they want to act.

Mr. BEALL. You stated you had frequent calls for contributions to advance the political interests of different men and different parties?

Mr. PERKINS. Yes, sir.

Mr. BEALL. To what extent did you respond to those calls?

Mr. PERKINS. Not at all.

Mr. BEALL. Do you mean that since the organization of the Steel Corporation as a corporation it has not made contributions to the funds of political parties?

Mr. PERKINS. I would not say that. Up to the time we had an interpretation of the law, I do not know. My recollection would not be clear about that.

Mr. BEALL. You were organized in 1901. Do you know to what extent you made political campaign contributions in 1902?

Mr. PERKINS. No, sir.

Mr. BEALL. Are you able to state whether you did or did not make political contributions at that time?

Mr. PERKINS. No, sir; I would not attempt to say from memory.

Mr. BEALL. What is your best recollection?

Mr. PERKINS. I have not any. I suppose the records would show that.

Mr. BEALL. I understand you probably did at some time make such contributions. When did you make those contributions?

Mr. PERKINS. No; I did not say that. I say we may have, but I can not specify, for I do not know; I do not recollect.

Mr. BEALL. Is it not your best impression that you did?

Mr. PERKINS. No; my best impression would be that we did not; but that may not be correct.

Mr. BEALL. Who would know?

Mr. PERKINS. The records, I should say, would show.

Mr. BEALL. Would all appropriations of that kind appear in the records?

Mr. PERKINS. Yes, sir.

Mr. BEALL. The records of what?

Mr. PERKINS. Of the finance committee, or such records as the company has. I am not familiar with all the records, so I could not say as to that.

The CHAIRMAN. Is it true that that sort of stuff appears in this book which was not filed with this committee when I asked for the minutes, and was afterwards found by Mr. MacRae; and is it not

true that you kept this book for about two years and then you got your heads together and sat down and said it was not a safe thing to put on paper, and that this set of minutes disappeared from your records from that time on? Is not that true?

Mr. PERKINS. I have not the faintest idea to what you are referring.

The CHAIRMAN. The minutes of the executive committee. You had an executive committee that kept these minutes for two years——

Mr. LINDABURY. I must ask you to correct that statement, because I do not want——

The CHAIRMAN (interposing). I am making no statement.

Mr. LINDABURY. But in the question you say that you asked for them and that we did not produce this book.

The CHAIRMAN. I asked for all minutes, and if I am wrong the record will show and I will certainly correct it, but this minute book was found by reference to other books.

Mr. PERKINS. May I ask what period of time that covered?

The CHAIRMAN. This book ran from April, 1901, to June, 1903, and then this set of minutes disappeared. You do not find any more of them.

Mr. PERKINS. Do you know why?

The CHAIRMAN. I think I do.

Mr. PERKINS. Why? Because the committee disappeared and was disbanded, and there has not been any since, and that book naturally was put away in a vault and has not been thought of for seven or eight years. That is the answer to that proposition.

The CHAIRMAN. But as to the operations of that committee, you assumed that function?

Mr. PERKINS. The finance committee.

The CHAIRMAN. Did they keep any minutes like that.

Mr. PERKINS. You have had them all ever since.

The CHAIRMAN. Are they full like these?

Mr. PERKINS. Quite as full, so far as I know.

The CHAIRMAN. In this committee is it not true you say a certain thing was done, and in that book did you not always refer it to the chairman with power to act?

Mr. PERKINS. We did not.

The CHAIRMAN. The books will speak for themselves?

Mr. PERKINS. They do not show that always. We very often took the responsibility in the committee on certain questions, and certain other questions we occasionally referred to the chairman with power. But I want to make it clear that the executive committee went out of existence after two years, and that is their minute book. The committee went out of existence and was consolidated with the finance committee, and you have seen the minutes of the finance committee from date of organization down to this date. If that book did not happen to be handed to you, it was because it was probably put away in the vault for seven or eight years. Did anybody refuse to give anything to you?

The CHAIRMAN. They had many meetings of your counsel before we got it.

Mr. PERKINS. Did they ever refuse to give you a book?

The CHAIRMAN. Yes; and they refused to give me books.

Mr. PERKINS. What book?

The CHAIRMAN. I do not care to go into a discussion of this matter, but Mr. Lindabury well knows there have been refusals on advice of counsel to give books.

Mr. PERKINS. Let Mr. Lindabury testify about that.

Mr. LINDABURY. There has been no refusal to give a book since the organization of the Steel Corporation. The books that came to the Steel Corporation with the property of its predecessors came to it in trust. We have a right to give freely, without regard to the legal rights of the committee, anything that is ours. We have not a right to give to this committee any books that belong to others, unless the committee is legally right in requiring them.

The CHAIRMAN. The chairman wants to be understood, because he would not do an injustice.

I apprehend it is a fact that this book was not filed with the committee. On the whole, I want to say for Mr. Lindabury and Mr. Reid and for the United States Steel Corporation that while they have sometimes shown caution and a good deal of delay in furnishing what we wanted, I do feel grateful to them for their great courtesy and patience, even in saying no as well as yes.

Mr. BARTLETT. I think it is fair to the committee and fair to the counsel and fair to the Steel Corporation to say that the reason the books referred to have not yet been produced is that the question is one which has not yet been decided either by the committee or by the counsel as to whether this committee has the power under this resolution to inquire for those books. I do not want to leave the counsel in the position of refusing absolutely to give them to the committee, nor do I want to leave the committee in the position of saying they did not have the power to get them.

Mr. LINDABURY. I am much obliged for that statement, because I had expected to take it up with the committee and discuss it with frankness such as has prevailed in all our meetings.

The CHAIRMAN. I will say this for the Steel Corporation, that wherever they have been able to furnish data that we have requested of them—and we have requested a great deal of use of their records and much data which has required a good deal of labor and trouble—that the data they have furnished has been ample and full, and my assistants have been treated with great courtesy by the Steel Corporation wherever they have gone.

Mr. BARTLETT. I do not want to leave the committee or anybody else in the position of refusing or acquiescing in that statement, because the committee has not yet determined what it will do in that matter.

Mr. LINDABURY. I would like to make another statement, if you do not mind. I am not very familiar with this matter about that book, but I should be immensely surprised to hear that there was any indication anywhere of an effort to conceal or withhold that book. I do not believe Mr. MacRae would say so.

The CHAIRMAN. Mr. MacRae makes no such charge.

Mr. LINDABURY. When that book was asked for, it must have been produced at once.

Mr. MACRAE. I asked for it, and I got it three or four days later. There was no refusal.

The CHAIRMAN. He reported to the committee that he asked for it and that after long conferences secured it.

Mr. MACRAE. I will state the reason, if you like.

The CHAIRMAN. No; never mind. They gave several reasons, and I came to New York, Mr. Lindabury, and had a talk with you, and we had an understanding about the book—that is, I had a talk about it, although you were not there, Mr. Lindabury.

Mr. LINDABURY. You did not speak with me about that book.

The CHAIRMAN. I will say to you frankly, I believe you will give us anything we locate. I do not believe you will hunt up anything, however.

Mr. LINDABURY. I hardly think that is correct, Mr. Chairman. We have done a lot of hunting for the committee.

The CHAIRMAN. Of course, you are on the defensive; we all understand that.

Mr. LINDABURY. We have tried to comply with the requests of the committee, even at great inconvenience, and we at least hoped we would have that attitude appreciated.

The CHAIRMAN. We do appreciate it. I have never seen any trace of any conduct which I should care to complain of.

But we will proceed, gentlemen.

Mr. BEALL. Mr. Perkins, I understand that this executive committee that you had originally, up to about 1903, was merged into the finance committee?

Mr. PERKINS. Some such date; yes, sir.

Mr. BEALL. About June, 1903—and this is the record of the meetings of the executive committee.

Mr. PERKINS. Of course I do not know what book you have.

Mr. BEALL. It says "Executive Committee," and the first meeting was held in April, 1901?

Mr. PERKINS. Yes, sir.

Mr. BEALL. They were kept in this book; it appears to have a lock. Do you know who had charge of this book during the time of the existence of the executive committee and who had charge of it since?

Mr. PERKINS. No, sir.

Mr. BEALL. Do you know who has access to it and who held the key to the lock?

Mr. PERKINS. No, sir.

Mr. BEALL. We were talking about campaign-fund contributions. In 1904, how many campaign contributions did your corporation make?

Mr. PERKINS. I do not know, sir.

Mr. BEALL. Do you know for a fact whether they did or not?

Mr. PERKINS. No, sir; I do not.

Mr. BEALL. It is evident that there was some reason why, in 1906, you submitted this to your counsel as to whether you had a legal right to make these political contributions.

Mr. PERKINS. Yes, sir.

Mr. BEALL. If you had been consistently declining to make them, if that had been your policy, from which you had not varied, it would not have been necessary to secure a legal opinion on the matter, would it?

Mr. PERKINS. Yes, sir.

Mr. BEALL. Why?

Mr. PERKINS. Because the law had been passed in New York State prohibiting such contributions, and there was general agitation here in Washington and other places as to whether corporations could legally make such contributions.

Mr. BEALL. I am asking if it had been your policy to not respond to requests of this kind, then there would have been no occasion to have been agitated about the laws of New York or the laws of the United States?

Mr. PERKINS. As I have testified, we may have made contributions before that time, but when you ask me specifically, from memory I am unable to respond.

Mr. BEALL. Do you not recollect any instances in which contributions were made?

Mr. PERKINS. No, sir; I do not.

Mr. BEALL. Do you not recall any instances of the fact they were made in some cases?

Mr. PERKINS. No, sir; I do not.

Mr. BEALL. Whether you remember the particular person or particular party for whose benefit the contribution was made or not?

Mr. PERKINS. No, sir. I would very gladly tell you if I did.

Mr. BEALL. You do not remember the circumstances at all?

Mr. PERKINS. No, sir.

Mr. BEALL. So you are not able to say that they were made or were not made?

Mr. PERKINS. No, sir.

Mr. BEALL. When did your connection with the New York Life Insurance Co. cease?

Mr. LINDABURY. Are you through with that particular subject?

Mr. BEALL. I may be and may not be.

Mr. LINDABURY. I would like to submit to the judgment of this committee that this matter of campaign contributions is not within the scope of the resolution of the House, as it seems to me. I do not know whether the committee has considered this or not, but I conceive that it is a matter quite outside the proper line of inquiry of this committee which it is authorized to make. I hope this committee will at least consider that.

The CHAIRMAN. It is not a question of campaign funds. We are a committee which this resolution demands shall get at the particular facts as to the relations and alliances and affiliations and purposes and, to a certain extent, the moral as well as the industrial status of the United States Steel Corporation. If it is affecting railroad rates, even by means that are not in restraint of trade, under this resolution we can reach after that, because in that respect it would be doing a wrong. If it is expending the money of its stockholders, hundreds of thousands of them, for purposes that many thousands of those stockholders would reprimand, this committee has a right to know it. For that reason the chairman concludes the examination is correct.

Mr. LINDABURY. At least, I did not want to appear to acquiesce in this line of examination.

Mr. BEALL. When did your connection with the New York Life Insurance Co. cease?

Mr. PERKINS. I do not remember just when.

Mr. BEALL. About when?

Mr. PERKINS. I could not tell within a year or two.

Mr. BEALL. How long after that did you become associated with the United States Steel Corporation?

Mr. PERKINS. Roughly, I should say three or four years.

Mr. BEALL. Then, about 1904?

Mr. PERKINS. I really do not know. I would be very glad to bring you the date.

Mr. BEALL. It is immaterial. Were you president of the New York Life Insurance Co. when it made contributions to political campaign funds?

Mr. PERKINS. No, sir; I was not president; I was vice president.

Mr. BEALL. You were a member of the finance committee?

Mr. PERKINS. Yes, sir.

Mr. BEALL. You had some connection with those contributions?

Mr. PERKINS. I made them.

Mr. BEALL. Did you have any connection with the New York Life Insurance Co. after you became connected with the United States Steel Corporation?

Mr. LINDABURY. I object to that question, and advise the witness not to answer. It seems to me when we get into the affairs of the New York Life Insurance Co. and campaign contributions, we ought to pause. At any rate, I make the objection and give that advice.

Mr. BEALL. I want to ascertain the viewpoint of the witness and his practices in connection with other corporations toward political campaign funds and contributions, after he became associated with the United States Steel Corporation, as throwing some light on the probable action of the witness as an officer of the United States Steel Corporation.

Mr. LINDABURY. This is an inquiry into the witness's moral character or general equipment for doing a wrong act. I suppose the question assumes that. I advise the witness not to answer that question.

Mr. PERKINS. I wish to respect counsel's advice, but I am very anxious to answer every question I can. May I suggest that everything I did in that connection—of course, I know what you are referring to—is a matter of record in the courts of New York and you can get it in detail if you will send there for it.

The CHAIRMAN. If these are matters of public record, nobody will be hurt, and the committee will be saved a great inconvenience if the witness will answer the question.

Mr. PERKINS. Perhaps we could get together and I might save you the inconvenience by getting the material myself.

Mr. BEALL. Were any of these contributions made by the New York Life Insurance Co. to political campaign funds made after the time your connection with the United States Steel Corporation began?

Mr. LINDABURY. I object to that question and advise the witness not to answer.

The CHAIRMAN. As chairman, I advise the gentleman to answer it. The question is a pertinent one.

Mr. PERKINS. May I have the question read?

The CHAIRMAN. Read the question, Mr. Stenographer.

The STENOGRAPHER (reading):

Were any of these contributions made by the New York Life Insurance Co. to political campaign funds made after the time your connection with the United States Steel Corporation began.

Mr. PERKINS. Yes, sir.

Mr. BEALL. Were any of them made during the year 1902?

Mr. PERKINS. As to the year, I can not remember.

Mr. BEALL. In the presidential campaign of 1904?

Mr. LINDABURY. I make the same objection and give the same advice.

The CHAIRMAN. And I give the witness the same advice.

Mr. LINDABURY. Without regard to the chairman's advice in overruling my objection, I still advise the witness not to answer the question.

Mr. BEALL. I understand.

Mr. PERKINS. I think all I can say is that the whole transaction is a matter of record in the courts of New York, and I will be very glad to save you the trouble by getting it myself and sending it to you.

Mr. BEALL. Don't you remember whether you made any in 1904 or not?

Mr. PERKINS. I do not remember the years. It is impossible. I will send it to you.

Mr. BEALL. You will send us a memorandum of all the contributions made by the New York Life Insurance Co. to the campaign funds while you were connected with it as vice president or as chairman of the finance committee?

Mr. PERKINS. No, sir; but I will send you what appears in the records in regard to my connection with it, which is all I can do. There is no other way I can send you anything else.

Mr. BEALL. Do the records show all the contributions?

Mr. PERKINS. I do not know whether they show all, but the records were very voluminous at that time. You will remember I was indicted for making that contribution, and it came out in long litigation in New York State.

Mr. BEALL. If you will furnish all the contributions with which you were connected, I think that will be satisfactory.

Mr. PERKINS. With pleasure; yes, sir.

Mr. BEALL. After your connection began with the United States Steel Corporation were you connected with any other corporation that made contributions to political campaigns?

Mr. LINDABURY. I object to that question and advise the witness not to answer.

Mr. BEALL. That is understood, Mr. Lindabury.

Mr. LINDABURY. Oh, no; it is not understood. I must renew my objection.

The CHAIRMAN. The objection may be entered.

Mr. YOUNG. The objection is made as to contributions made by other companies than the Steel Corporation?

Mr. LINDABURY. Yes.

Mr. BEALL. Were you connected with any other company or with any other firm or association of persons in a business capacity that made campaign contributions to political campaign funds after your connection with the United States Steel Corporation began?

Mr. LINDABURY. I object to that question and advise the witness not to answer.

Mr. PERKINS. It is impossible to answer that. I do not know how I would answer it. You are asking me to cast my memory over a multitude of things, which I do not see how I can.

Mr. BEALL. I am asking you only for what you are able to remember.

Mr. PERKINS. I do not remember any such connection as you refer to.

Mr. BEALL. Do you not remember the circumstance, whether you remember the details or not, that such contributions were made by corporations or firms or associations with which you were connected after you became connected with the United States Steel Corporation?

Mr. PERKINS. I do not see that that has anything to do with the question. I want to answer it, but I do not see exactly what you want me to say. I do not see what you are after. May I ask a question? Is it a question of policy you are after, or dates, or amounts, or what?

Mr. BEALL. I just want to know what your policy was as a member of the corporation in responding to appeals of this kind in this corporation, as well as in others with which you were connected, because your attitude in one case is likely to have some bearing upon your attitude in other cases.

Mr. LINDABURY. I advise the witness not to answer the question.

Mr. BEALL. That is understood.

Mr. LINDABURY. No; it is not understood. It is stated. The witness may do as he pleases, of course, as he has been doing; but he must not doubt my advice on the subject.

Mr. PERKINS. I never knew of any policy anywhere. Certainly there never was any in my mind, as an individual or a director, on that subject.

Mr. BEALL. Whether it was a policy or lack of policy, do you remember the circumstance of any corporation, firm, or association with which you were connected making any such contributions?

Mr. PERKINS. No, sir; I do not.

Mr. BEALL. After your connection with the United States Steel Corporation began, to what extent did you personally make contributions to political campaigns?

Mr. PERKINS. My own personal contributions? I think I will not answer that question.

Mr. YOUNG. That question ought not to be asked. Any gentleman has a right to make contributions himself, and I think that ought not to be asked.

Mr. PERKINS. I do not mean to answer that. I am perfectly willing to answer such questions as I can, but——

Mr. LINDABURY. I advise you not to do it.

Mr. YOUNG. I think that question ought not to be permitted.

Mr. BEALL. I would like to know the extent to which every director and every officer of the United States Steel Corporation make contributions to political campaigns. They had a right to do it; I am not disputing that; but I would like to know to what extent they have done so.

Mr. DANFORTH. You mean the individual contributions?

Mr. BEALL. Yes.

Mr. DANFORTH. I do not see how it is pertinent.

Mr. MCGILLICUDDY. I do not see who should object if the witness does not.

Mr. BEALL. I understand the witness does not object to answering it.

Mr. LINDABURY. I have advised him not to answer it.

Mr. PERKINS. I do not want to feel that I am going against your counsel, Mr. Lindabury.

Mr. LINDABURY. But I do feel so.

Mr. YOUNG. You have traveled over everything in the earth and over the earth and under the earth, Mr. Chairman, and I think we would get along better in carrying out our investigation if we confined it to the United States Steel Corporation and not travel out into these distant realms.

The CHAIRMAN. The question, maybe, is of considerable interest, if not absolutely pertinent, and if the witness is willing to answer it the shortest way is to let him answer.

Mr. YOUNG. I shall appeal from the decision of the Chair.

The CHAIRMAN. The Chair rules he may answer.

Mr. YOUNG. I appeal from the decision of the Chair to the committee.

Mr. BARTLETT. I understand counsel advises the witness not to answer, and the witness says he is willing to answer?

Mr. LINDABURY. There is no mistake about the advice of counsel.

The CHAIRMAN. What is the question, Mr. Stenographer?

The stenographer (reading):

After your connection with the United States Steel Corporation began, to what extent did you personally make contributions to political campaigns?

The CHAIRMAN. What is your pleasure, gentlemen?

Mr. BARTLETT. I suggest he add "since he has been a director in the Steel Corporation."

Mr. BEALL. That is the intent of the question.

The CHAIRMAN. Mr. Stenographer, read the question as amended.

The STENOGRAPHER (reading):

After your connection began with the United States Steel Corporation, as a director, to what extent did you personally make contributions to political campaigns?

Mr. LINDABURY. I again renew my objection and again advise the witness not to answer.

The CHAIRMAN. The Chair rules the question is proper, and an appeal is taken from the decision of the Chair. The question is, Shall the decision of the Chair stand as the opinion of the committee? The secretary will call the roll.

The SECRETARY. Mr. Beall?

Mr. BEALL. Aye.

The SECRETARY. Mr. Bartlett?

Mr. BARTLETT. Aye.

The SECRETARY. Mr. Young?

Mr. YOUNG. No.

The SECRETARY. Mr. Sterling?

Mr. STERLING. No.

The SECRETARY. Mr. McGillicuddy?

Mr. MCGILLICUDDY. Yes.

The SECRETARY. Mr. Danforth?

Mr. DANFORTH. No.

The SECRETARY. The result, Mr. Chairman, is three noes and three ayes.

The CHAIRMAN. In that event the chairman is sustained.

Mr. YOUNG. No, Mr. Chairman; that is not correct.

Mr. BEALL. The chairman should vote.

The SECRETARY. Mr. Stanley?

Mr. STANLEY. Aye.

That sustains the decision of the Chair. The question will be answered.

Mr. BEALL. You understand, Mr. Perkins, do you?

Mr. PERKINS. Yes.

Mr. BEALL. I understand that you do not object to answering the question.

Mr. PERKINS. But you have changed the question, and I do object to answering it now.

Mr. LINDABURY. Do so under the advice of counsel.

Mr. PERKINS. But he has changed the question materially.

Mr. BEALL. During the time of your connection with the United States Steel Corporation, to what extent have you made these contributions to political campaigns?

Mr. PERKINS. May I, with all due deference, say that is not the first question you asked me?

Mr. BEALL. What is it in the form of the question now different from the first question that makes it objectionable?

Mr. PERKINS. Because my connection with any corporation had not the slightest bearing on my own personal contributions.

Mr. BEALL. The question as originally framed comprehended this time as well as a greater length of time.

Mr. PERKINS. I do not quite understand that.

Mr. BEALL. The question as originally framed covers all time.

Mr. PERKINS. The time is all right, but when you ask me what I did in connection with the——

Mr. BEALL (interposing). No; not in connection with anything.

Mr. PERKINS. Well, because of——

Mr. BEALL (interposing). No; but since the date of your connection with the United States Steel Corporation, to what extent have you personally contributed to political campaigns?

Mr. BANCROFT. May I, as counsel for the witness, object to that question and advise the witness not to answer the question?

The CHAIRMAN. The chairman can rule better after he hears the answer of the witness.

Mr. LINDABURY. Mr. Chairman, this witness was not willing to take my advice, and I have asked his personal counsel to supplant me and advise him, so he will have the better advice.

The CHAIRMAN. I am perfectly willing any witness shall have his own counsel or shall be represented by counsel for the United States Steel Corporation.

Mr. YOUNG. May I inquire who the gentleman is now representing the witness?

Mr. BANCROFT. Mr. Bancroft is my name, sir.

Mr. LINDABURY. Mr. Bancroft, of the Illinois bar.

Mr. BEALL. The question is an answer to the question the committee passed on. Mr. Stenographer, will you read the previous question?

The STENOGRAPHER (reading:)

After your connection with the United States Steel Corporation began, to what extent did you personally make contributions to political campaigns?

Mr. BEALL. Do you understand the question? After the time you became connected with the United States Steel Corporation, to what extent, if any, did you make contributions to political campaigns?

Mr. BANCROFT. That is the question we object to.

The CHAIRMAN. Distinguished counsel for Mr. Perkins objects to the question and advises Mr. Perkins not to answer.

Mr. BANCROFT. Yes, sir.

The CHAIRMAN. Mr. Perkins may state whether he cares to act upon advice of counsel.

Mr. PERKINS. I do not know what your rules of procedure are here, Mr. Chairman.

The CHAIRMAN. In this case, the chair will be prepared to rule when you answer that question. That is the question we can not determine, whether you refuse to answer the question or whether you are willing to answer after being advised by counsel.

Mr. BANCROFT. I think it is fair the witness should know that he is at liberty to take the advice of his counsel or to refuse it. In other words, he is free to answer or not to answer, under the situation, subject always, of course, to the——

Mr. BARTLETT (interposing). Of course, counsel has a reason why he suggests to the witness that he ought not to answer the question. There are some questions that incriminate the witness.

Mr. BANCROFT. Of course, there is no such reason as that. The reason is the one which I think the chairman suggested in the hearing earlier, that he did not desire the investigation to go into matters that are personal——

Mr. BARTLETT. A question of materiality and not a question of privilege on the part of the witness?

Mr. BANCROFT. It is a question of not drawing the witness's personal affairs into the consideration of the affairs of the United States Steel Corporation.

Mr. BARTLETT. In other words, it is a question of materiality.

The CHAIRMAN. Let us learn something from the witness.

Mr. PERKINS. I should feel honored if you could.

The CHAIRMAN. The witness has come here before us; he is an intelligent man, a great fianancier, a man noted in many walks of life, and he understands the advice of counsel and the purpose of counsel. He also understands the importance of the matter. I think he can take care of himself so far as saying whether he wants to answer the question or not.

Mr. PERKINS. Mr. Chairman, I think I have shown my willingness to answer the question as it was first put. Now, there is this point of counsel, and a very decided difference among the members of your committee. May I suggest that it be laid on the table and taken up later on?

The CHAIRMAN. I would suggest that you advise the Chair whether you care to avail yourself of the advice of counsel or not. That is all that is necessary.

Mr. PERKINS. In view of all that has been said, I prefer to lay the matter on the table, and take it up later on. We are all disagreed about it. I want to try and be agreeable to all of you.

The CHAIRMAN. There is a call of the House, and we are perfectly willing to have the gentleman take the matter under advisement. I

might want to ask a question personal to me and counsel might not be able to restrain me.

Mr. LINDABURY. I claim no physical power and not much mental power.

The CHAIRMAN. So far as the Chair is concerned, I think Mr. Beall has pursued a proper line of inquiry in going as far as possible into the alliances—material, commercial, industrial, or otherwise—of the United States Steel Corporation or any of its officers with the Government, or with any party of the Government, or any organization of men of the Government who have power to affect the welfare of society or the destiny of its corporations. At the same time I am free to say the Chair will be very loath to go beyond that into the realms of the personal relations of any man. For instance, I would instantly object if any man should ask the question of a witness on this stand touching the question as to whether he was moral or immoral, whether or not he was sober or drunk, whether or not he himself was a gambler or abstainer, whether or not he was a tippler or bon vivant and living high and enjoying wine and women and all that sort of thing, or whether he was as ostentatious in his severe and almost gloomy piety as John D. Rockefeller——.

Mr. PERKINS. There is nothing personal in those statements, Mr. Chairman? [Laughter.]

The CHAIRMAN. Not the faintest. I am free to say I know nothing about the private life of Mr. Perkins.

Mr. PERKINS. I am safe there, anyway. [Laughter.]

The CHAIRMAN. I want that understood. This committee is not attempting to go into the private affairs of anybody. It is 1 o'clock, gentleman, and there is a call of the House. The committee will take a recess until 2.15 o'clock, at which time, Mr. Perkins, we will resume your examination.

(Thereupon, at 1 o'clock p. m., the committee took a recess until 2 o'clock p. m.)

AFTER RECESS.

At the expiration of the recess the committee resumed its session.

Mr. LINDABURY. Mr. Chairman, according to a practice that you gentlemen in Congress, I believe, call "rising to a question of personal privilege," I desire to say that it was published in all the newspapers last Friday that when this minute book of the executive committee was produced before the investigating committee, I produced the key from my pocket and handed it up. Of course, that is entirely a mistake. I understood from Mr. MacRae that the key was tied to the book when he got it weeks before, and I never saw it in my life; and of course he had access to the book during all of the time between the time of its production and its presence before the committee.

The CHAIRMAN. I will say, of course, that the chairman is not responsible for that.

Mr. LINDABURY. Not at all. It was merely a misunderstanding.

The CHAIRMAN. I think it sprung from a facetious remark of our genial friend, Charlie Schwab. He asked if you had the key, in a purely facetious way, of course.

Mr. LINDABURY. I suppose so.

The CHAIRMAN. No; that book was open, and the key was in the lock long before that hearing; and I cheerfully bear witness to the fact that you are not the custodian of that key and never have been, so far as I know.

Mr. LINDABURY. I understood from Mr. MacRae that it was produced as a result of some conference between him and Mr. Bolling before the latter went to Europe; and that is the reason it did not happen to come to my knowledge. I did not know anything about it until it was produced the other day.

The CHAIRMAN. I know that the statements you make are correct.

STATEMENT OF MR. GEORGE W. PERKINS—Continued.

Mr. BEALL. Mr. Chairman, before you take up the examination on another line I want to say that for the present I am willing to hold in abeyance the question whether or not Mr. Perkins shall answer the inquiry that I submitted to him before recess. So far as I am personally concerned, if it is at all possible to bring it within the

Mr. BEALL. I want to assure Mr. Young now that so far as I am and every one of the directors of the United States Steel Corporation, after its organization, contributed to any campaign fund. If our authority will permit that information to be secured, I expect to insist on it.

Mr. YOUNG. It seems that this question is up and ought to be decided now, unless it is the intention of the committee to run away from it and dodge it.

Mr. BEALL. I want to assure Mr. Young now that so far as I am concerned there is no disposition to run away from it or to dodge it. I am willing for the committee to take time to consider the question whether it is within the scope of our authority. If it is, I want the information.

Mr. YOUNG. It seems to me that now is the time to determine the matter. It is here, and it is before us. The question has been asked and not answered.

Mr. BEALL. It was postponed at Mr. Perkins's suggestion. He suggested that the matter go over and be held in abeyance for further consideration.

Mr. BARTLETT. The committee, I understand, has decided that that question, as put may be asked, and the question is now before the committee.

Mr. YOUNG. It has been asked and not answered.

Mr. BARTLETT. That is it; and the committee, in deference to the wishes of the witness, permitted the question to be held in abeyance.

Mr. LINDABURY. Of course, the questioner has a right to withdraw the question. I understand that that is what it amounts to at present.

Mr. BEALL. I beg your pardon.

Mr. LINDABURY. I say the questioner has a right to withdraw the question, and that is what I understood Mr. Beall was practically doing.

Mr. BEALL. I do not withdraw it.

Mr. LINDABURY. I mean for the present.

Mr. BEALL. I am willing for the decision of the committee as to what other action is to be taken by the committee to be deferred for the present.

Mr. YOUNG. As preliminary to that, it seems to me we had better have a decision from Mr. Perkins as to what he is going to do. If he is going to answer this question there is nothing further to it. If he is not, it will be up to the committee to see what they will do.

Mr. BEALL. I thought it was probable, from Mr. Perkins's suggestion, that he might like a little time to consider that, himself. I do not want to appear to be in the attitude of insisting upon an immediate decision by him.

Mr. LINDABURY. As counsel for Mr. Perkins I wish to state that he has had all the time that he desires to consider it.

Mr. YOUNG. Then had we not better find out what his decision is?

The CHAIRMAN. The chair has indicated his earnest desire to know how far the United States Steel Corporation or any officer in it is directly or indirectly interested in effecting legislation, either State or national. At the same time, so far as I am concerned, I have expressed my great hesitancy to propound any questions or to put the witness in the attitude of making any revelations concerning any matter entirely personal to himself. I would like to ask Mr. Perkins a question or two in order to find out whether he considers it a personal matter.

Mr. YOUNG. May I inquire how much time this committee wants to decide on the question? We have been informed that Mr. Perkins is ready.

The CHAIRMAN. The committee has decided.

Mr. YOUNG. Mr. Perkins is ready to answer or to refuse to answer, his counsel informs us. It seems to me that the sooner we know what the limits of this investigation are to be, the more rapidly we will get on.

The CHAIRMAN. That is what I am endeavoring to do.

Mr. YOUNG. And there is no better time to decide this question, unless we are afraid of it, than now.

The CHAIRMAN. Who is afraid of it?

Mr. YOUNG. I am not afraid of it. I have not any doubt about it.

The CHAIRMAN. I am not. I do not wish to express any fear——

Mr. YOUNG. Then why not settle this?

The CHAIRMAN. You know, down in my country we assume a man to be devoid of fear and a woman to be devoid of guile. It is not a question of fear at all. It is a question of justice and right. What I am anxious to do is to ascertain the relevancy of this question. The only thing I would fear would be to make a decision that I myself thought was unjust. All men fear to do a wrong to anybody or on any occasion; and I prefer to ask the witness just a preliminary question or two touching this matter, Mr. Young, which I think will throw some light on it, and will certainly better enable the chairman to determine his course in the matter. Now, Mr. Perkins, when your salary was fixed by the United States Steel Corporation, was there any unwritten or implied understanding or any "gentlemen's agreement" that any part of your compensation should consist of a contingent fund for the meeting of just such calls as those we have been speaking of?

Mr. PERKINS. No, sir.

Mr. LINDABURY. May I ask a question of the witness—about another matter, of course?

The CHAIRMAN. Certainly.

(After a conference between the witness and Mr. Lindabury:)

The CHAIRMAN. Do you know, Mr. Perkins, or have you any knowledge, of any such fund, either for the purpose of effecting State or National legislation?

Mr. PERKINS. No, sir.

The CHAIRMAN. Sir?

Mr. PERKINS. No, sir.

The CHAIRMAN. Did you not keep up with all bills, State and national, which affected your business, either in the way of the imposition of tariff duties or in the way of deciding questions of taxation where your own properties were touched, and secure the passage of such bills as would relieve you from taxation or lessen your taxation, and the killing of such bills as would impose taxation upon you according to your capitalization rather than your assessed valuation? Did you do that?

Mr. PERKINS. No, sir.

The CHAIRMAN. I wish to call your attention to the minutes of the executive committee on April 7, 1901.

Mr. PERKINS. April 7, 1901?

The CHAIRMAN. Yes, sir.

Mr. DANFORTH. That can not be right. April 9 was the first date.

The CHAIRMAN. April 9, it is. The president, Mr. Schwab, called attention to the threatened hostile legislation in the pending session against all capital employed in manufacturing in the State. He is of the opinion that unless something is done the bill may pass; that it may be a tax of two to three millions a year, and that it will probably be on the capital rather than on the assessed valuation.

Mr. Roberts believes that the bill will not go through. Mr. Edenborn suggests that in the event of its passage it will thereby become an annual expense, and that it had better be brought down to a nominal rate. The president is of the opinion that it might be wise to fight it on the ground that the principle is bad. After some discussion the chairman proposed that it be temporarily passed. On April 24, 1901, Judge Gary being then in the chair, the president reported that no action had been taken on this; that he had been informed that some of the legislators were in favor of our acceding to a nominal tax, but he expected to learn something definite in a few days.

And again, on May 13—it runs all through—the president reports that there are some pending bills in the legislature that he believes need looking into. After some discussion it was voted that the whole matter and anything kindred to it be left with the president and chairman to take up with the finance committee, with power. You were then the chairman of the finance committee?

Mr. PERKINS. I am not sure——

Mr. LINDABURY. I was inattentive as to the date.

The CHAIRMAN. May 13, 1901.

Mr. DANFORTH. May 13?

The CHAIRMAN. Yes.

Mr. BARTLETT. Mr. Perkins, did you say whether you were or not?

Mr. PERKINS. I do not recollect whether I was chairman as early as that or not.

The CHAIRMAN. You were acting as secretary at that time, I believe, of the committee.

Mr. PERKINS. I was.

The CHAIRMAN. This was referred to you with power to act.

Mr. PERKINS. Hardly; was it then?

The CHAIRMAN. It says that this matter be taken up by the president and chairman of the finance committee with power. It was referred to you—I mean the finance committee—and the chairman, Mr. Gary, and the president, Mr. Schwab, with power to act. Did you act?

Mr. PERKINS. Well, as I understand it from your statement, I was at that time a member of the finance committee.

The CHAIRMAN. Yes.

Mr. PERKINS. And it was referred to the president and chairman?

The CHAIRMAN. Yes.

Mr. PERKINS. The chairman of the finance committee.

The CHAIRMAN. You were chairman of that committee?

Mr. PERKINS. No, sir.

The CHAIRMAN. You were the secretary, and kept the minutes?

Mr. PERKINS. I was the secretary, as you say.

The CHAIRMAN. Do you know what action was taken?

Mr. PERKINS. No, sir; I do not.

The CHAIRMAN. This transaction runs through the minutes for a month, to which the very highest officers of the United States Steel Corporation gave their attention—a matter affecting hundreds of millions of dollars' worth of property, was it not?

Mr. PERKINS. Well, I really do not know.

The CHAIRMAN. How much property have you subject to taxation in the State of Pennsylvania?

Mr. PERKINS. I have not any idea.

The CHAIRMAN. What is the capitalization of the Carnegie Co.?

Mr. PERKINS. I do not know.

The CHAIRMAN. Do you know what the capitalization of the National Tube Co. is?

Mr. PERKINS. No, sir; I have none of those details in my mind.

The CHAIRMAN. Well, the capitalization of the Carnegie Co. is ninety millions, I believe. No; three hundred and forty millions?

Mr. PERKINS. I do not know. That is all a matter of record, of course.

The CHAIRMAN. You know it is several hundred millions, do you not?

Mr. REED. One hundred and sixty millions.

The CHAIRMAN. Of the Carnegie Co.?

Mr. REED. Yes.

The CHAIRMAN. Yes; it was sold for three hundred and twenty millions. What is the capitalization of the National Tube Co.? Do you recall that, Mr. Lindabury?

Mr. LINDABURY. I do not recall that.

The CHAIRMAN. What is the capitalization of the American Steel & Wire Co.?

Mr. PERKINS. I do not carry any of those figures, Mr. Chairman, in my mind.

The CHAIRMAN. Is there not fifty millions of preferred and forty millions of common; or forty millions of preferred and fifty millions of common?

Mr. LINDABURY. You are aware that none of those corporations is incorporated in Pennsylvania, are you not?

The CHAIRMAN. Exactly; but their physical properties are in Pennsylvania—a great many of them.

Mr. LINDABURY. But you are asking about the capital stock.

The CHAIRMAN. The Homestead works are there, are they not?

Mr. PERKINS. Yes, sir.

The CHAIRMAN. And the Clairton Steel Works are there?

Mr. PERKINS. Whether they are all there or not I do not know; at least part.

The CHAIRMAN. A great many plants of the National Tube Co. are there?

Mr. PERKINS. Some of them; yes, sir. Some are in Ohio.

The CHAIRMAN. Do you know what bill it was that was under discussion at this time?

Mr. PERKINS. No, sir.

The CHAIRMAN. We have a strange arrangement down in Kentucky by which the State or some officer of the State determines the amount that a corporation is to be taxed. I see from these minutes here that you determined yourselves what you would be taxed. How did you manage to do that?

Mr. PERKINS. That we had done what, Mr. Chairman, if you please?

The CHAIRMAN. I will read it to you:

The president reported that no action had been taken on this; that he had been informed that some of the legislators were in favor of our acceding to a nominal tax, but he expected to learn something definite in a few days.

In other words, the legislators said to the Steel Corporation: "Now, if you will accede to a nominal tax, the thing can be arranged." Something definite was to be said to the Steel Corporation by the Legislature of Pennsylvania about your being nominally taxed. Do you remember what that was?

Mr. LINDABURY. Pardon me, Mr. Chairman. I see that you have clearly gotten this confused in your mind, or I know that you would not put your question in that way.

The CHAIRMAN. Certainly.

Mr. LINDABURY. It would be too unfair to think of your doing so.

The CHAIRMAN. If I have a wrong impression, I shall be delighted to be corrected.

Mr. LINDABURY. The circumstances are these. The Steel Corporation has always been taxed on its physical property, just as any other taxpayer in Pennsylvania; but at this time the legislature undertook to put a license tax on it, in addition, for the privilege of doing business in a foreign State, you know. That was the first time anything of that sort had been suggested in Pennsylvania, and they were negotiating over the question as to whether or not that was fair; and, of course, endeavoring to keep it down as low as possible if it was to be put on at all. That was what that was about. It had nothing to do with their general taxation.

The CHAIRMAN. I understand.

Mr. LINDABURY. So Mr. Reed tells me; and I have no doubt that was so.

Mr. REED. That is correct.

Mr. DANFORTH. That was the general corporation law?

Mr. REED. In Pennsylvania, the properties of manufacturing companies are all subject to the local taxation. This was a proposition to tax their capital stock, as railroads are taxed, but the railroads are exempt from local taxes.

Mr. DANFORTH. This would put a tax on foreign capital employed in Pennsylvania, so that there was the general corporation tax on the capital there and a tax on the foreign capital employed in the State.

Mr. REED. Exactly.

Mr. LINDABURY. Just as in your State. This corporation and all others pay in New York, if they do business there, a privilege tax, which is calculated on the amount of the capital employed within the State.

The CHAIRMAN. I see a memorandum here from the meeting of the directors of the United States Steel Corporation April 4, 1902. "The Legislature of New Jersey has passed, and the governor of New Jersey has approved, Mr. Reed's Senate bill 3137, amending the New Jersey act concerning corporations."

Do you remember about that transaction?

Mr. PERKINS. No, sir; I do not.

The CHAIRMAN. You were present at that meeting of the board of directors, I see, on March 4, 1902. You were very much interested in this bond conversion, were you not?

Mr. PERKINS. In the bond-conversion plan?

The CHAIRMAN. Yes.

Mr. PERKINS. Yes, sir.

The CHAIRMAN. Was not this act passed in order to make that possible? Did you not have to get the laws of New Jersey amended before you could get that through?

Mr. PERKINS. I do not recollect that we had to have any legislation. There was a contest over the plan in the courts.

The CHAIRMAN. Who was this Mr. Reed? Do you know?

Mr. LINDABURY. He was a senator from one of the counties in the State—Somerset County.

Mr. BARTLETT. He calls him "Mr. Reed" there.

The CHAIRMAN. Yes; he calls him "Mr. Reed" here.

Mr. LINDABURY. He was a senator from one of the counties of New Jersey—Somerset County, in which I live.

The CHAIRMAN. Now, it was resolved that after the making of such contract with J. P. Morgan & Co. and the desired amendment of the corporation law of New Jersey, a special meeting of the stockholders be held, etc.

Was that act amended at your suggestion to Mr. Reed, or did Mr. Reed amend it and let you know he had concluded to do so.

Mr. PERKINS. Mr. Chairman, all of the legal questions of that sort were never under my immediate management, nor did they come to my attention. The business end of things was, but the question of laws and those questions were never under my notice to a point where I would charge my memory with them.

The CHAIRMAN. Whom did you employ? I do not mean the name, but what officer was it, or what department of the United States Steel Corporation, that had to do with looking after various State

legislatures, and ascertaining about these bills that are good and bad, and securing their passage or defeat, as the case may be?

Mr. PERKINS. I do not know that we have ever had such a department.

The CHAIRMAN. In the Congress, Mr. Perkins, there are perhaps thirty or forty thousand bills introduced in a year. In the legislature there are a great mass of them; and it seems almost impossible for a Member of Congress to know about any but a limited number of such bills. It keeps many committees busy. This intimate knowledge that is seen here of the progress of legislation, of its probable success, of the number and character of the bills, etc., indicates to my mind, as a legislator, that such information can only be obtained by a skilled, diligent, highly-paid bureau of men who understand legislation and who understand legislators and know how, even on the outside, to find out just what is going on on the inside. I thought maybe you could tell me about how this was done.

Mr. PERKINS. No, sir; to my knowledge the Steel Corporation has had no such bureau.

Mr. LINDABURY. You doubtless have found out from the minutes that the company has a number of lawyers employed who look those things up. I presume the minutes show it.

The CHAIRMAN. Exactly; but I did not assume that it was the province of those lawyers either to defeat or to secure legislation. Men who do that are called by a name that sounds something like "lawyer," but it is not "lawyer."

Mr. LINDABURY. Lobbyist. We do not need to employ them in the New Jersey Legislature. [Laughter.]

The CHAIRMAN. Honest confession is good for the soul.

Mr. LINDABURY. At least we have not during the last year.

The CHAIRMAN. I wanted Mr. Young to understand why I was anxious to go as far as I could legitimately in ascertaining about the relation between the United States Steel Corporation and the various law-making bodies of the country.

Mr. YOUNG. Has the chairman decided whether he is going to press his question to Mr. Perkins about his campaign contribution?

The CHAIRMAN. That was not my question.

Mr. BEALL. It is my question. I press the question. I want to know your decision.

Mr. LINDABURY. Had the question not better be read again? It was asked a good while since.

Mr. BEALL. It has been read a good many times, and I think the witness understands it.

Mr. LINDABURY. I ask that it be read again.

(Mr. Lindabury was informed that the reporter who had taken down the question referred to was not in the room.)

Mr. LINDABURY. Oh, well, I suppose Mr. Perkins remembers it, if he says he does.

The CHAIRMAN. You might repeat the question.

Mr. BEALL. Some suggestion was made by the Chair as to the relevancy of it.

The CHAIRMAN. Oh, no.

Mr. BEALL. I want to say that my purpose was to find out what relation existed between the directors of the United States Steel Corporation and any administration of the State of New York, Penn-

sylvania, or wherever else they were doing business, or any relation existing between the directors of the Steel Corporation and any other administration, National or State. I want to know something about the mutual obligations existing between these gentlemen who are directors of this corporation and those who were in control of the State affairs or Government affairs. That is, frankly, the purpose I had in asking the question—because these gentlemen from time to time have to ask favors, I dare say, of State administrations, and national administrations. I think it is pertinent and throws light upon this question. I want to find out what Mr. Perkins has contributed, I want to find out what Mr. Frick, Mr. Gary, and the balance of the directors of the United States Steel Corporation have contributed to any campaign fund since the organization of the United States Steel Corporation. If we find that out, I think it will be illuminating.

Mr. STERLING. That is, on their personal account; not as directors of the corporation?

Mr. BEALL. Yes. It is hard, sometimes, to separate a man's personal relations from his official relations as a director of a corporation. A contribution coming from the directors of the Steel Corporation to a campaign fund creates the same degree of obligation as it would if it came from the Steel Corporation itself. They have a legal right to make the contributions, but I would like to know whether they made them or not, and if so, to whom.

Mr. LINDABURY. I repeat my advice of this morning to the witness—not to answer the pending question.

Mr. BEALL. What is your answer, Mr. Perkins?

Mr. PERKINS. Of course I have expressed my personal feeling in the matter, but out of deference to the advice of counsel I refuse to answer.

Mr. BEALL. Why do you refuse to answer?

Mr. PERKINS. I think I have just said—out of deference to the advice of counsel.

Mr. BEALL. Simply out of deference to the advice of counsel?

Mr. PERKINS. That is my answer; yes, sir.

Mr. BEALL. You have no personal objection to answering?

Mr. PERKINS. I expressed my own personal opinion about that this morning.

Mr. BEALL. You stated this morning—and we will come back to that directly—that if any contributions were made, they would appear of record in the proceedings of the executive committee or finance committee. Has it been your experience, Mr. Perkins, as a man connected with corporations, that the minutes of the directors' meetings and the minutes of the executive committees always contain an accurate record of these contributions?

Mr. PERKINS. I presume, of course, that you are talking about the Steel Corporation?

Mr. BEALL. Yes.

Mr. PERKINS. The effort of the finance committee of the Steel Corporation has been to have its records as complete as it possibly could, in such a large business, of all matters that came before it.

Mr. BEALL. Of course, you do not claim that every action upon the part of the directors or the executive committee of the United States Steel Corporation has any minute made of it?

Mr. PERKINS. Not every action; no. That would be humanly impossible, I presume.

Mr. BEALL. Yes. Of course, there are a great multiplicity of actions, some of them recorded and some of them not recorded. I will ask you again, has it been your experience with this corporation and other corporations that when contributions of this kind were made by the corporations to political campaign funds, there was any minute or record made of those contributions?

Mr. PERKINS. From my general knowledge of the policy of the Steel Corporation I should say that any such contributions would have been put on the minutes of the finance committee.

Mr. BEALL. Is it your experience that the records of the Steel Corporation were kept in any different manner from the records of other corporations with which you have been connected?

Mr. PERKINS. In my judgment they have been exceptionally voluminous. The minutes of the Steel Corporation's finance committee have been exceptionally voluminous, and the meetings of the committee have been exceptionally regular, and pretty fully attended. The gentlemen have been very attentive to their meetings.

Mr. BEALL. Now, confining ourselves to this question of campaign contributions, have the records of the United States Steel Corporation been kept in any different way in that regard than the records of other corporations with which you have been connected?

Mr. LINDABURY. I object to the question as to the records of other corporations with which he has been connected.

The CHAIRMAN. He may answer it.

Mr. BEALL. Is it not a fact, Mr. Perkins, that in your connection with other corporations you know that contributions of this kind are not entered upon the minutes as showing upon their face what they are?

Mr. PERKINS. No, sir; it is not.

Mr. BEALL. You do it with insurance companies?

Mr. LINDABURY. I object to that question, and advise the witness not to answer it.

Mr. BEALL. You have already stated that the insurance companies at the time you were connected with them, made these contributions. Did they appear upon the minutes——

Mr. PERKINS. I——

Mr. LINDABURY. I object.

Mr. BEALL (continuing). Of those corporations as contributions of those companies to campaign funds?

Mr. LINDABURY. I object to the question, and advise the witness not to answer it.

Mr. PERKINS. Well, we have crossed that bridge. On the advice of counsel I decline to answer.

Mr. BEALL. You decline to answer as to how those records appear upon the books of insurance companies. Was there anything of record in the minutes of the insurance companies showing that they contributed to campaign funds?

Mr. LINDABURY. I object to that question and advise the witness not to answer it.

Mr. PERKINS. Under the advice of counsel I decline to answer.

Mr. BEALL. The only thing I understand you to say now is that so far as you know the records of the United States Steel Corporation do not show any such contribution.

Mr. PERKINS. No, sir; I do not think I have testified to that.

Mr. BEALL. You have no personal knowledge of whether they do or not?

Mr. PERKINS. No, sir; I have not. I have no personal recollection.

Mr. BEALL. Is it your judgment, based upon your experience in connection with corporations, that if the United States Steel Co. had made a contribution to a campaign fund it would have appeared upon the minutes of that corporation?

Mr. LINDABURY. I object to the question and advise the witness not to answer it, as answering would be mere speculation and quite irrelevant.

The CHAIRMAN. He may answer the question.

Mr. LINDABURY. I advise the witness not to do so.

Mr. PERKINS. I take the advice of counsel.

The CHAIRMAN. I hope it will not be necessary—it would be very unpleasant, and would grieve me exceedingly——

Mr. PERKINS. I did not quite hear, Mr. Chairman.

The CHAIRMAN. I say it would be very unpleasant and would grieve me exceedingly to be compelled to cite any witness before the bar of the House. When the witness refused to answer questions about his personal contributions the chairman was as tender of the witness as it was possible; but questions, for instance, that merely are, in the opinion of counsel, not within the knowledge of the witness, or questions as to what would or would not appear on the books of the corporation, when he keeps those books in a way, being secretary, are so clearly competent that I hope the witness will understand that a refusal to answer might force the Chair to take such steps in ascertaining the truth as would be unpleasant to the Chair and uncomfortable for the witness.

Mr. YOUNG. Mr. Chairman, if I understood that question correctly, it was whether, from the witness's experience with corporations generally, if this contribution was made by the Steel Corporation, it would appear on its minutes. I do not think that is a proper question. I think it would be proper to ask him whether, from his knowledge of the methods of the Steel Corporation, if they had made a contribution, it would appear from the minutes.

Mr. BEALL. I will put it in that way, then.

Mr. LINDABURY. To that question there would be no objection.

Mr. BEALL. I will accommodate myself to that suggestion. From your knowledge of the manner in which the United States Steel Corporation has been conducted, if it had made contributions to any political campaign since its organization, is it your opinion that that would appear upon the records of the United States Steel Corporation?

Mr. PERKINS. Yes, sir.

Mr. BEALL. In what way are the records of the United States Steel Corporation kept differently from the records of any other corporation with which you have been associated?

Mr. LINDABURY. I object to that question. I withhold the advice to the witness now and submit to the examiner that—do you mean in this particular or generally?

Mr. BEALL. With reference to campaign contributions.

Mr. LINDABURY. The witness has admitted no knowledge of the way the books of any other corporation are kept, you know.

Mr. BARTLETT. I would like to ask a question. Mr. Perkins, you have been associated with corporations which did, as corporations, contribute money for campaign purposes, have you not? [A pause.] You stated this morning that you had.

Mr. PERKINS. I was just thinking what you meant by "corporations."

Mr. BARTLETT. Insurance, banking, railroad, or any sort of corporation. You know what a corporation is, do you not?

Mr. PERKINS. Oh, yes; but what I had in mind was the New York Life Insurance Co. That was what you referred to this morning.

Mr. BARTLETT. Yes.

Mr. PERKINS. Yes, sir.

Mr. BARTLETT. Then the question of Mr. Beall, as I understand it, is in what particular did the manner of conducting the business and keeping a record of the business of the Steel Corporation differ from that of an insurance or any other corporation with which you were associated, in the way of keeping a record of matters of this kind? In what way did it differ?

Mr. LINDABURY. I object to the question as quite irrelevant. It does not appear how the New York Life Insurance Co. kept its records in that respect. It does not appear from any knowledge of the witness how the Steel Corporation kept its records in that respect. A comparison, therefore, is not only irrelevant, but obviously impossible for the witness to make.

Mr. BARTLETT. It is a mere matter of testing the witness. That is all.

Mr. LINDABURY. I appeal to Judge Bartlett's long record as a judge——

Mr. BARTLETT. Not very long.

Mr. LINDABURY (continuing). On that question. I appeal to him (and do not direct the witness) that that is not a question which this witness ought to be required to answer.

Mr. BARTLETT. I think it is a proper question. I am sorry to differ with my friend; but when the witness says that if this had been done he thinks it would have been entered in the minutes, if it does not appear in the minutes, and he knows of other corporations of which he was the president or a director that contributed to campaign funds, the question would naturally follow whether they kept a record of it or not.

Mr. LINDABURY. I presume that what the examiner has in mind, perhaps, is based upon the notion that, in that respect, the witness made or controlled the minutes of the New York Life, and made or controlled the minutes of the Steel Corporation, and may be assumed to have kept them in this respect both alike. I do not know whether that is at the bottom of the question or not.

Mr. BARTLETT. Things might be done which would not go down on the minutes of either corporation.

Mr. LINDABURY. I do not know. It does not appear. I know they were put down—well, never mind.

Mr. BARTLETT. I do not say they were not.

Mr. LINDABURY. The witness has said he does not know. I could tell you.

Mr. BEALL. You did keep the records of one of the committees of the United States Steel Corporation?

Mr. PERKINS. For a very short time, at the time of the organization of the Steel Corporation, I was secretary of its first committee.

Mr. BEALL. What knowledge have you as to how they were kept after that time?

Mr. PERKINS. No knowledge, except as I have heard them read at the meetings by the secretary.

Mr. BEALL. At the different meetings of the committee after you ceased to be the secretary were not the minutes of previous meetings read?

Mr. PERKINS. Yes, sir.

Mr. BEALL. And in that way would you not know the way in which the minutes were kept?

Mr. PERKINS. I think I have already, at least in substance, testified that the minutes of the finance committee were, in my judgment, very completely kept on all transactions, as far as humanly possible.

Mr. BEALL. In what way were they kept differently from the minutes, say, of the New York Life Insurance Co.?

Mr. PERKINS. I do not know that they were kept any differently.

Mr. BEALL. You were familiar with the conduct of the affairs of that institution while you were its president and chairman of the finance committee?

Mr. PERKINS. Yes, sir; in a very general way.

Mr. BEALL. Did that finance committee keep minutes?

Mr. PERKINS. Yes, sir.

Mr. BEALL. Were the minutes of the preceding meeting read at the subsequent meeting of the New York Life Insurance Co.?

Mr. LINDABURY. I object, and advise the witness not to answer.

Mr. BEALL. You do not even want him to admit that the minutes of one meeting were read at the subsequent meeting?

Mr. LINDABURY. I do not. I do not want him to say another word about the meetings of the New York Life Insurance Co., its minutes, or the way it was run, or what it did.

Mr. BEALL. Are you willing for him to compare the way in which the minutes of the Steel Corporation's meetings were kept and read with the way in which the minutes of the meetings of other corporations were kept and read?

Mr. LINDABURY. I am not; and as a distinguished witness once said, "I take the absolute responsibility." [Laughter.]

Mr. BEALL. After you became connected with the United States Steel Corporation you still retained an interest in the New York Life Insurance Co., did you not?

Mr. PERKINS. Yes, sir.

Mr. BEALL. In any other insurance companies?

Mr. PERKINS. No, sir.

Mr. BEALL. Were you one of the directors of the New York Life Insurance Co.?

Mr. PERKINS. Was I?

Mr. BEALL. Yes.

Mr. PERKINS. Yes, sir.

Mr. BEALL. Were you an officer of the New York Life Insurance Co.?

Mr. PERKINS. I was; yes, sir.

Mr. BEALL. I call your attention to this clause of the resolution:

Also whether said Steel Corporation, through the persons owning its stock, its officers, or agents, has or has had any relations with the Pennsylvania Railroad Co., or any other railroad company, or any coal companies, national-banking companies, trust companies, insurance companies, or other corporate organizations or companies, or with the stockholders, directors, or other officers or agents of said companies, or with any person or persons, which have caused, or have a tendency to cause, any of the results following—

Naming six.

Mr. YOUNG. That would not be intelligible without the results being stated.

The CHAIRMAN. In order that this witness may understand the relevancy of this question and of this inquiry, I will ask a question right there which may throw some light on it.

You were active in securing this bond conversion, I believe, by which $250,000,000 of stock were to be converted into this $250,000,000 of bonds, were you not?

Mr. PERKINS. $200,000,000 of stock.

The CHAIRMAN. $200,000,000 of stock?

Mr. PERKINS. Yes, sir.

The CHAIRMAN. At that time no life insurance company (or, at least, the New York Life Insurance Co.) under the laws of various countries, Germany for instance, under which it was operating, could buy these stocks, could it? It could not handle these stocks among its assets?

Mr. PERKINS. I would not undertake to remember what they could have technically done about it as long ago as that. That was a good many years ago.

The CHAIRMAN. It was a fact that you know as a life-insurance man that these continental countries would not permit insurance companies to have either the common or preferred stock of the Steel Corporation or other large corporations as assets against the deposits of the various persons insured by them. Is not that true?

Mr. PERKINS. I guess I will have to have that question read.

Mr. LINDABURY. Mr. Chairman, you said "deposits." You meant policies?

The CHAIRMAN. I mean the deposits by policy holders—the premiums from the policy holders. For instance, the policy holders pay large sums of money, which the life insurance companies hold in trust for the insured in case of death or accident, as the case may be, or for the payment of annuities. The laws of Germany and other countries did not permit you to invest this trust fund in the stocks of the United States Steel Corporation. Is not that true?

Mr. YOUNG. Was the New York Life Insurance Co. incorporated under the laws of Germany?

The CHAIRMAN. No; but they have a great many shareholders there, and they do business there; and they can prevent their doing business there unless they do it in a certain way. The New York Life Insurance Co. does a great deal of business in Germany, does it not?

Mr. PERKINS. I do not think it is doing much there now. It has done a large amount of business there.

The CHAIRMAN. Was not that the fact: That they had to have bonds, and not stocks, as a basis of their securities?

Mr. PERKINS. May I ask to have the question just as it is, so that I may know which I am answering to.

The CHAIRMAN. All right.

(The reporter read the original question, as follows:)

The CHAIRMAN. It was a fact that you know, as a life insurance man, that these continental countries would not permit insurance companies to have either the common or preferred stock of the Steel Corporation or other large corporations as assets against the deposits of the various persons insured by them. Is not that true?

The CHAIRMAN. That is, that they could not invest in that sort of security if they operated in those countries?

Mr. PERKINS. There was a law in Germany by which American life insurance companies, if doing business there, could not hold among their assets such securities as were known in this country as stocks. It may have been—my recollection is not clear—that they could have held a small percentage.

The CHAIRMAN. They could hold bonds ad libitum?

Mr. PERKINS. They could hold bonds and first mortgages and things of that sort.

The CHAIRMAN. That was the law at the time of this bond conversion, was it not?

Mr. PERKINS. As to the dates, I can not say, Mr. Chairman.

The CHAIRMAN. How much of that bond issue of $200,000,000 of Steel Corporation bonds was purchased by the New York Life and other insurance companies of New York?

Mr. PERKINS. I have no recollection as to the amounts.

The CHAIRMAN. They were large amounts, were they not?

Mr. PERKINS. Generally speaking, I should say no.

The CHAIRMAN. Well, $50,000,000 worth?

Mr. PERKINS. No, sir.

The CHAIRMAN. $25,000,000?

Mr. PERKINS. No, sir.

The CHAIRMAN. $10,000,000?

Mr. PERKINS. No, sir.

The CHAIRMAN. $5,000,000?

Mr. PERKINS. Well, I really do not know. I am simply trying to help you out in that.

The CHAIRMAN. Thank you, sir.

Mr. LINDABURY. You are aware that those bonds were exchanged with the stockholders. Those companies were none of them stockholders.

The CHAIRMAN. No; they just bought them.

Mr. LINDABURY. You mean that they finally got into their hands.

The CHAIRMAN. I simply interpolated that so that the witness might understand the intimate relation which seems to subsist between the two concerns, to better explain the relevancy of Mr. Beall's question, which I desire to have answered.

Mr. PERKINS. Thank you very much.

Mr. LINDABURY. I call the attention of the chairman to the fact that no evidence appears that the New York Life even had a dollar's worth of the bonds of the Steel Co. down to this date.

The CHAIRMAN. You were an officer in both companies at that time—the New York Life and J. P. Morgan & Co., and the United States Steel Corporation?

Mr. PERKINS. I was an officer of the New York Life, a member of the firm of J. P. Morgan & Co., and a member of the finance committee of the Steel Corporation.

The CHAIRMAN. Proceed, Mr. Beall.

Mr. BEALL. You had meetings of the finance committee of the New York Life Insurance Co., had you not?

Mr. PERKINS. Yes, sir.

Mr. BEALL. You attended those meetings?

Mr. PERKINS. Quite frequently; yes, sir.

Mr. BEALL. Would the minutes of the meetings that they held last week be read at the meetings held this week?

Mr. PERKINS. That is a great many years ago, Mr. Beall.

Mr. BEALL. But you know what the custom was.

Mr. PERKINS. I should say that was the custom, as a rule; yes, sir.

Mr. BEALL. And in that way you were familiar with the way in which that corporation as well as other corporations kept their minutes?

Mr. PERKINS. Yes.

Mr. BEALL. Now, what difference was there, if any, in the way in which the United States Steel Corporation kept its records, and the way in which this other big corporation with which you were connected kept its records?

Mr. LINDABURY. I object to that question as irrelevant, and advise the witness not to answer it.

The CHAIRMAN. I think the question is perfectly proper.

Mr. BEALL. I am willing to go to the House on that question.

The CHAIRMAN. I agree with you, Mr. Beall, most heartily.

Mr. YOUNG. What is the last question?

Mr. PERKINS. I do not see that I can do anything but take the advice of my counsel.

Mr. BARTLETT. May I ask, aside from the views of counsel (and counsel may answer if he will, or suggest the answer to the witness), the committee deeming the question relevant and proper, what reason the witness gives for declining to answer?

Mr. LINDABURY. May counsel answer?

Mr. BARTLETT. I said counsel or the witness. The witness may answer as directed by counsel, if he wishes.

Mr. LINDABURY. I will answer for the witness, that it already appears by his testimony that the Steel Corporation kept very full minutes and undertook to display upon them all their transactions. He does not remember the details that he has been asked about as to those minutes, but has made that general and broad statement. He is now asked to compare the method of keeping the minutes of the New York Life Insurance Co. with what he has stated as the method of keeping the minutes of the Steel Corporation. I say an inquiry of that kind is beyond the domain of this committee; that it has no right to ask how the New York Life Insurance Co. ran its business or kept its minutes, and therefore I have advised the witness not to answer the question.

Mr. BARTLETT. A mere matter of power and relevancy.

Mr. LINDABURY. A matter of power and relevancy.

Mr. MCGILLICUDDY. Let me ask you this, Mr. Lindabury. This resolution directs and authorizes this committee to inquire whether said Steel Corporation, through the persons owning its stock, its

officers, or agents, has had any relations with any insurance companies which have caused, or have a tendency to cause, any of the results following, among which is:

Combinations created by ownership or control by one corporation or the stockholders or bondholders thereof of the stock or bonds of other corporations, or combinations between the officers or agents of one corporation and the officers or agents of other corporations by duplication of directors or other means and devices.

Now, the very answer you are preventing this witness from making may prove the very fact that we are authorized to investigate under that resolution.

Mr. LINDABURY. Mr. McGillicuddy, if you had as broad power as you suggest, you could inquire of this witness and other witnesses in regard to the business methods of every insurance company and every bank and every railroad and every other of the institutions referred to there in America.

Mr. MCGILLICUDDY. So we could, if it tended to produce this result.

Mr. LINDABURY. No; but without any foundation.

The CHAIRMAN. So we will.

Mr. LINDABURY. Without any foundation for it?

Mr. MCGILLICUDDY. But how can we get a foundation if you prevent the witness from answering the questions.

Mr. LINDABURY. They are being asked without having adduced any evidence to create even a suspicion of relations existing between them that are or might be in violation of the Sherman Act.

Mr. MCGILLICUDDY. If you could prevent his answering that question you could prevent his answering any other, and we could not lay a foundation for anything. And it is not a matter of suspicion. I beg your pardon.

Mr. LINDABURY. If this committee wants to know what the minute books of the New York Life Insurance Co. show, subpœna those books, and raise the question in that way.

Mr. MCGILLICUDDY. He is an officer in both companies.

Mr. LINDABURY. No; he is not an officer of the New York Life Insurance Co. now. Are you?

Mr. PERKINS. No, sir.

Mr. MCGILLICUDDY. He was at one time.

Mr. LINDABURY. He was at one time; and you ask his recollection with regard to the printed record, which you can subpœna—if you have power to do so.

Mr. MCGILLICUDDY. We have a right to his recollection.

Mr. LINDABURY. I suggest that you subpœna the books of the New York Life Insurance Co.

Mr. MCGILLICUDDY. We have that right. That is only an additional method.

Mr. LINDABURY. But you ask his recollection of what is in those books.

Mr. MCGILLICUDDY. The point I make is this: The very question that you are preventing him from answering may show clearly a combination between these two corporations, which is one of the very purposes specifically set out in this resolution.

Mr. LINDABURY. I should like to know this from the members of the committee. I have never heard a suggestion of anything of that kind; but if the committee say to me that they have evidence, or a

suspicion, well grounded, of any connection of the sort you mention between the New York Life and the Steel Corporation, it would change my attitude. I have never heard it suggested before that anybody even suspected any relationship of that kind.

What we have been at in this connection, up to this very moment, has been the question of campaign contributions, and it was developed by this witness that some time or other the New York Life made a campaign contribution, for which he said this morning he was indicted, when the fact was that he was not, as I happen to know. He even got wrong about that. [Laughter.] Following that, an inquiry has been pressed as to whether those payments appeared on the minutes of the New York Life Insurance Co., and if they did, whether similar ones must not appear on the minutes of the Steel Corporation, since Mr. Perkins happened to be on both boards. That is the line of inquiry you have been pursuing.

Mr. BARTLETT. Let me make a suggestion. Was or was not this matter of campaign contributions by the insurance company, as a matter of fact, made a matter of record? If it was, then it would become necessary, and your position would be absolutely correct, for us to resort to the best evidence, which is the minutes; but if the witness will state that they were not made a matter of record, then the records would not show it. That is what I have been trying to suggest.

Mr. LINDABURY. What I say is that this committee has no right to know what the campaign contributions of the New York Life Insurance Co. are, whether they are of record or not. I do not care whether they are or not.

Mr. BARTLETT. I understand your position.

Mr. LINDABURY. That is where I stand.

Mr. BEALL. Mr. Perkins, why do you say that if the United States Steel Corporation had made campaign contributions they would appear of record on these minutes?

Mr. PERKINS. Because the policy of the Steel Corporation has been to spread as fully as it possibly could on its minutes all of its actions.

Mr. BEALL. Has that policy differed from the policy of any other corporation with which you have been connected?

Mr. LINDABURY. I object to the question.

The CHAIRMAN. If the United States Steel Corporation is candid in recording upon its minutes every transaction, laudable or otherwise, and they contain all its transactions in that particular, I am at a loss to know why the gentleman should so urgently insist that this excellent habit of the United States Steel Corporation should not be known to the world.

Mr. LINDABURY. You are now entering into the hidden domain of motive, which you are not entitled to inquire about.

Mr. MCGILLICUDDY. Upon what ground do you object to this witness answering a question that admittedly will not incriminate him, when he is willing to answer it?

Mr. LINDABURY. I do not know whether he is or not.

Mr. MCGILLICUDDY. He said he was this morning.

Mr. LINDABURY. It is my opinion that it is better that the witness should only answer questions that are either relevant or debatable. In my judgment this question is far beyond the realm of the debatable.

Mr. McGillicuddy. I should sustain you if the question tended to incriminate the witness.

Mr. Lindabury. Yes.

Mr. McGillicuddy. You would have a right to tell him not to answer and to stand on his constitutional rights; but when it admittedly does not incriminate him, and when he is willing to answer it, on what ground do you step in here and advise him not to answer? I can not understand it.

Mr. Lindabury. You ought to cite me before the House.

Mr. McGillicuddy. No; you are not a witness.

Mr. Lindabury. I have been up to this time, as the committee knows, very ready to have witnesses produce everything and answer pretty much everything, and I never have interposed an objection to their answering anything that related to the affairs of the Steel Corporation; but when it comes to taking the witnesses outside of the affairs of the Steel Corporation and asking them what the Harvester Co. or the New York Life or the Mutual Life or the German Government would do, I think I would not be doing my duty to the public or to the Steel Corporation if I did not interpose an objection and follow it with an instruction.

Mr. McGillicuddy. That is the very thing this resolution authorizes us to inquire about—all those things you mention except the German Government. That is not mentioned here, but those corporation are mentioned, and insurance companies. This man was an officer in both the insurance company and the Steel Corporation.

Mr. Lindabury. You would have a right to ask the question as to whether there was any combination between the insurance company and the Steel Corporation.

Mr. McGillicuddy. I think we have a right to ask the questions in our own way, and not to suggest in the question the answer that the witness might make. Then it is for the committee or the House to determine whether there has been any combination of them, when we get out the facts.

Mr. Lindabury. As the chairman would say: It is a matter of profound regret that I should differ with you, Mr. McGillicuddy; but I do.

The Chairman. Well, it appears that this matter has arrived at the point of final decision, whether or not the action of this committee will be sustained, and whether the committee, or Mr. Beall, who is now questioning the witness, have gone beyond our duly constituted authority, or whether the witness, upon the advice of counsel, persistently and deliberately, is guilty of conduct that appears to the chairman to be contumacious and in absolute contempt of this committee and of the authority vested in it. For that reason I suggest to the gentleman, in order to save the trouble of process, that at its next meeting, unless otherwise advised, he appear at the bar of the House.

Mr. Young. I doubt the authority of this committee to do anything of that kind.

Mr. Lindabury. What will he do when he gets there, Mr. Chairman? Stand around the House? He is entitled to a summons, which he will obey.

Mr. Young. The House will have to do it and not this committee.

The CHAIRMAN. I did not care to have the House issue a summons. I preferred to have the witness appear voluntarily, out of what I have said in my tenderness for this witness. If you wish it, the chairman will act with all the grim process laid down by the law in this matter. Proceed, Mr. Beall.

Mr. LINDABURY. I desire that the committee shall act according to the law and rules of the House.

The CHAIRMAN. The committee will do it. Do you care to ask any further questions?

Mr. BEALL. Not now. I think the proper thing would be to adjourn and have the transcript of that testimony presented to the committee, and then have the matter presented to the House.

Mr. MCGILLICUDDY. I would like to ask just two questions.

You are willing, Mr. Perkins, personally, to answer these questions that have been asked you, and your only reason for not answering them is the objection made by Mr. Lindabury and his advice to you?

Mr. PERKINS. I expressed my feeling on that this morning; but the matter has gone to such a point that I think I would like to consider that view that I expressed then still further, perhaps.

Mr. MCGILLICUDDY. Consider it. You are here now to either answer or refuse.

Mr. BARTLETT. I think we ought not to press the witness, if he wants to think about it.

The CHAIRMAN. The chairman will say that the committee will proceed with this examination.

Mr. STERLING. I want to ask the witness a few questions.

The CHAIRMAN. Certainly; but please wait and let me finish what I have to say, and then you may proceed.

Mr. STERLING. Excuse me. I thought you were excusing the witness.

The CHAIRMAN. I just wanted to say one or two things. The chairman would say, in all kindness, to the witness that he hopes he will consider the matter carefully; that it would be a source of profound regret to the chairman to exercise his broad authority that is vested in him. All through this entire investigation the chairman has endeavored, as far as he possibly could, to treat every witness appearing before this committee with the greatest courtesy, and I am firmly convinced that when the gentleman thinks of the relevancy of the question and how little he can possibly be hurt by answering it, he will not force the chairman to take any further steps. Go ahead.

Mr. LINDABURY. May I ask the chairman or other members of the committee whether it is in the minds of any of them that there was a combination of the kind referred to in the resolution between the New York Life and the United States Steel Corporation; and whether these questions are intended to develop any situation of that kind?

The CHAIRMAN. The chairman of this committee has given some study to a very serious condition of affairs existing in the city of New York, in which there is a concurrence of action and a centralization of power on the part of insurance companies, railroad companies, and industrial companies that enables perhaps one man, acting through his well-trained and capable colleagues in this, that, and the other industrial field, to exercise powers that are appalling to the chairman and that are possibly detrimental to the best interests of

this country. And while this committee has not yet reached that phase of the investigation, I will say to the gentleman that the questions asked by Mr. Beall are not casual or facetious, but soberly considered, in my opinion, and well propounded.

Mr. LINDABURY. You have not answered whether they are intended to develop such a situation as was mentioned in my question. Would you mind informing me about that?

Mr. BEALL. What was your question?

Mr. LINDABURY. Whether or not these questions by the chairman, by Mr. Beall, or anybody else are intended to develop any conspiracy or combination or arrangement between the United States Steel Corporation and the New York Life for the purpose of effectuating any of the objects mentioned in the resolution. I say now that my mind would be affected by that. That is a different question from their relation to campaign contributions.

Mr. BEALL. I was using the New York Life Insurance Co. simply as an illustration, because I supposed he was familiar with the methods with which they kept their records; and I was trying to ascertain how much verity could be attached to these records of the United States Steel Corporation.

Mr. LINDABURY. That is what I thought. That is as I understood it.

Mr. STERLING. Mr. Perkins, you are a member of the finance committee of the United States Steel Corporation?

Mr. PERKINS. Yes, sir.

Mr. STERLING. And chairman of that committee?

Mr. PERKINS. No, sir.

Mr. STERLING. You have been connected with the United States Steel Corporation since its organization?

Mr. PERKINS. No, sir; since a short time after its organization.

Mr. STERLING. How long afterwards?

Mr. PERKINS. Well, I should say a few months.

Mr. STERLING. And you have been a director since you became connected with the organization?

Mr. PERKINS. Yes, sir.

Mr. STERLING. Have you held any other official position than that of chairman of the finance committee and director?

Mr. PERKINS. No, sir.

Mr. STERLING. Did you devote your time to the interests of the United States Steel Corporation?

Mr. PERKINS. Not all of it.

Mr. STERLING. Much of it?

Mr. PERKINS. Considerable; yes, sir.

Mr. STERLING. What is the line of your duties in connection with that company?

Mr. PERKINS. It has been in connection with the duties of the finance committee, which has been the committee that has shaped, so to speak, the policy of the Steel Corporation.

Mr. STERLING. You have become familiar with the different constituent companies of the United States Steel Corporation, have you not?

Mr. PERKINS. In a general way, sir, not having been an executive officer of the Steel Corporation.

Mr. STERLING. When the United States Steel Corporation acquired the Tennessee Coal & Iron Co., at that time they were making steel rails—that is, the Tennessee Coal & Iron Co.—were they not?

Mr. PERKINS. Yes, sir.

Mr. STERLING. And that was in competition with the output of several of the other constituent companies of the United States Steel Corporation, was it not? [A pause.] Let me put the question in this way: Several of the other constituent companies were making steel rails, were they not?

Mr. PERKINS. Constituent companies of the Steel Corporation?

Mr. STERLING. Yes.

Mr. PERKINS. Yes, sir.

Mr. STERLING. How many of them?

Mr. PERKINS. I do not remember.

Mr. STERLING. About how many?

Mr. PERKINS. Well, I really do not know how many were making rails.

Mr. STERLING. Was the Schoen Co. making rails?

Mr. PERKINS. I do not know.

Mr. STERLING. The Carnegie Co. was making rails?

Mr. PERKINS. Yes, sir.

Mr. STERLING. Do you know of any other?

Mr. PERKINS. The Illinois Steel Co. made rails at that time.

Mr. STERLING. So that the output of the United States Steel Corporation was in competition with that, at least, of some of the other consituent companies?

Mr. PERKINS. Excuse me. I think you mean to say the output of the Tennessee Coal & Iron Co.?

Mr. STERLING. Yes; the output in the way of rails was in competition with the output of other companies composing the United States Steel Corporation?

Mr. PERKINS. The output, you mean, sir, of the Tennessee Coal & Iron Co.?

Mr. STERLING. Yes, sir.

Mr. PERKINS. Well, I was not an executive officer, and am not up and never have been on those technical questions; but I should think the Tennessee Coal & Iron Co., being a southern company, was hardly——

Mr. STERLING. At least, they were competitors to the extent of manufacturing the same product?

Mr. PERKINS. They both manufactured rails.

Mr. STERLING. The Tennessee Coal & Iron Co. made pig iron, did it not?

Mr. PERKINS. Yes, sir.

Mr. STERLING. For commerce? It sold pig iron, did it not?

Mr. PERKINS. I do not know.

Mr. STERLING. Do you know whether it made more pig iron than it used itself?

Mr. PERKINS. No, sir; I do not.

Mr. STERLING. Did it make ingots for commerce?

Mr. PERKINS. I do not know. I have never been in those technical questions in any of the companies.

Mr. STERLING. Did they make steel plate?

Mr. PERKINS. That I do not know.

Mr. STERLING. Do you know what other principal products they made besides pig iron, ingots, and rails? What other principal products?

Mr. PERKINS. No, sir; I do not.

Mr. STERLING. That was acquired in 1907, was it not?

Mr. PERKINS. Yes, sir.

Mr. STERLING. Had the United States Steel Corporation acquired any other companies later than that?

Mr. PERKINS. My recollection is, no.

Mr. STERLING. I think I saw something in the paper some time ago to the effect that they had bought the Baldwin Locomotive Works.

Mr. PERKINS. That is not so.

Mr. STERLING. Were there negotiations looking to that end?

Mr. PERKINS. Not to my knowledge.

Mr. STERLING. You are sure, anyhow, that they did not acquire those works?

Mr. PERKINS. Yes, sir.

Mr. STERLING. Do you know whether it has consolidated recently with any company?

Mr. PERKINS. I do not.

Mr. STERLING. Is the Midvale works a constituent company of the United States Steel Corporation?

Mr. PERKINS. I do not know.

Mr. LINDABURY. Oh, no.

Mr. PERKINS. Oh, the Midvale? No, sir.

Mr. LINDABURY. There is no connection.

Mr. PERKINS. No connection.

Mr. STERLING. It has not the slightest interest in it?

Mr. PERKINS. Not the slightest.

Mr. STERLING. The Baldwin Locomotive Works and the Midvale—what is the corporate name of the Midvale Co.?

Mr. REED. I think that is the corporate name—the Midvale Steel Co.

Mr. STERLING. You say that neither of them have now, and have not had any connection at all with the United States Steel Corporation?

Mr. PERKINS. Not to my knowledge; no, sir.

Mr. STERLING. The Schoen works is a constituent company?

Mr. PERKINS. The Schoen wheel works.

Mr. STERLING. Is that the name of the works?

Mr. PERKINS. Mr. Reed can give you the name.

Mr. REED. The Schoen Car Wheel Co.

Mr. STERLING. Does it make only car wheels?

Mr. PERKINS. I do not know as to that. They make car wheels.

Mr. STERLING. You do not know whether it is limited to that or not?

Mr. PERKINS. No, sir.

Mr. STERLING. Does any other company of the United States Steel Corporation make car wheels?

Mr. PERKINS. I do not know as to that.

Mr. LINDABURY. I do not know.

Mr. STERLING. The United States Steel Corporation owns the Schoen works simply by owning a controlling interest in the stock, or all of the stock, does it—the same as these other constituent companies?

Mr. PERKINS. I do not know how that ownership was effected; I do not remember.

Mr. STERLING. I will ask you this question:

When you organized the United States Steel Corporation, did you not take in all of these constituent companies that came into the corporation at that time by simply buying a controlling interest in their stock?

Mr. PERKINS. As I have already testified, sir, I was not a member of the firm of J. P. Morgan & Co. when the Steel Corporation was organized.

Mr. LINDABURY. That would not be so as to the Carnegie Co., you know.

Mr. STERLING. How is that?

Mr. LINDABURY. I think it is as to the others, is it not?

Mr. REED. They bought the stock of the Carnegie Co.

Mr. LINDABURY. Paying for it in bonds, and not with their stock.

Mr. REED. The Schoen Steel Car Wheel Co. was acquired by the purchase of its tangible property and its good will.

Mr. STERLING. Is the Schoen Works a part of the Carnegie Steel Co.?

Mr. REED. It is now.

Mr. STERLING. It is now?

Mr. REED. Yes.

Mr. STERLING. And it is owned by the United States Steel Corporation in the same way as the Carnegie Steel Co.?

Mr. PERKINS. It is controlled by the United States Steel Corporation through the ownership of the Carnegie Steel Co.'s stock.

Mr. STERLING. That is all, Mr. Perkins.

Mr. BARTLETT. Mr. Perkins, you are familiar with the transaction and the circumstances, the interviews, the conversations, the imparlances, and arrangements that led up to the acquisition or merger of the Tennessee Coal & Iron Co. by the United States Steel Corporation, are you not?

Mr. PERKINS. Yes.

Mr. BARTLETT. You said that Mr. Ledyard brought the matter to Mr. Morgan's attention at the library. You remember stating that this morning?

Mr. PERKINS. I think that was so; yes, sir; whether I stated it or not.

Mr. BARTLETT. Prior to the meeting at Mr. Morgan's library, in which Mr. Ledyard brought the matter to the attention of Mr. Morgan, had you had any interviews with Mr. Ledyard or Mr. Schley or anyone else relative to the matter of the purchase of the Tennessee Coal & Iron Co.?

Mr. PERKINS. No, sir.

Mr. BARTLETT. When did you first become a party to the negotiations or the interviews or conversations, or whatever they may be called?

Mr. PERKINS. On Saturday, November 2.

Mr. BARTLETT. On Saturday, November 2?

Mr. PERKINS. Yes.

Mr. BARTLETT. You say there were several acute stages of the panic. Now, on Saturday, November 2, what was the character or the stage of the panic in New York?

Mr. PERKINS. It had passed on from the original panic, which was immediately caused by runs on trust companies, to difficulties which developed in other directions, such, for instance, as the city of New York itself, which had to be helped, and from a very serious condition in the stock exchange, which had to be very substantially helped with many millions of dollars, to a condition existing on that Saturday of general disturbance not only in New York, but a disturbance that had been serious outside of New York in other financial centers of America all through that week; and the Trust Co. of America and the Lincoln Trust Co. and Moore & Schley and other affiliated things were trembling in the balance on that Saturday.

Mr. BARTLETT. Prior to that time the Morse-Heinze-Thomas banks had suspended, had they not?

Mr. PERKINS. They had suspended.

Mr. BARTLETT. This was about the middle of October?

Mr. PERKINS. The 19th or 20th.

Mr. BARTLETT. Mr. Morse had resigned from the banks and the trust company with which he was connected about October 19, had he not?

Mr. PERKINS. Yes, sir.

Mr. BARTLETT. And did you have anything to do with the clearing-house committee in New York during that time?

Mr. PERKINS. No, sir; I never was a member of the clearing-house committee.

Mr. BARTLETT. You kept in touch with the financial situation, however, did you?

Mr. PERKINS. I tried to.

Mr. BARTLETT. Yes; I have no doubt that you did. Now, you did have a clearing-house committee, did you not?

Mr. PERKINS. The city of New York did.

Mr. BARTLETT. I do not mean you, but the bankers in New York?

Mr. PERKINS. Yes; the national banks.

Mr. BARTLETT. And they were endeavoring to handle the situation and give such information as was obtainable to the public, were they not, as to the financial conditions in New York?

Mr. PERKINS. And such help as they could.

Mr. BARTLETT. Yes. Did they not state on about October 20 that the Heinze and Morse and Thomas interests had been eliminated from the banking situation?

Mr. PERKINS. I think they did.

Mr. BARTLETT. Did they not also issue a statement on or about the 20th of October in which they stated that they had examined the several banks of the association that had been under criticism, some of which you have stated, I apprehend, the Trust Co. of America, and others, and finding them solvent, the clearing-house committee had decided to render them—the banks in question—such assistance to meet their deposits as the committee thought necessary?

Mr. PERKINS. I think they did. That is my recollection.

Mr. BARTLETT. Now, the Morse and the Thomas banks had been eliminated from the situation?

Mr. PERKINS. Yes.

Mr. BARTLETT. And the other things that you speak of had been examined, their conditions had been inquired into by this clearing-house committee, and they had determined that the banks in New

York would render them assistance so as to meet their deposits on the 20th of October?

Mr. PERKINS. Render those banks assistance.

Mr. BARTLETT. Yes.

Mr. PERKINS. Yes.

Mr. BARTLETT. Then the next day after that statement was made an announcement was made that the National Bank of Commerce would cease to act as the clearing-house agent for the Knickerbocker Co.; was not that true?

Mr. PERKINS. Yes, sir; I think that action was taken on Monday, October 21.

Mr. BARTLETT. All right. Then had the Knickerbocker Co. closed on the 21st?

Mr. PERKINS. No, sir; they closed on October 22, Tuesday.

Mr. BARTLETT. The 22d? Very well. Then when the Knickerbocker Co. closed, was not a statment made by the bankers of New York, headed by Mr. Morgan, that everything was being done by the bankers, as fast as they could, to avert the result of a panic, or to avert the panic?

Mr. PERKINS. No, sir; I do not think Mr. Morgan made any statement. My recollection is not that Mr. Morgan made any statement that day. I think the Secretary of the Treasury gave out a statement that evening.

Mr. BARTLETT. Well, all right.

Mr. PERKINS. Mr. Morgan may have done so. I will not say he did not.

Mr. BARTLETT. Did you make any statement, or authorize any statement, along about that time, October 22 or October 23, in which you stated that the chief point was the Trust Company of America?

Mr. YOUNG. On what date was that?

Mr. BARTLETT. The 23d of October.

Mr. PERKINS. That was the morning of the 23d.

Mr. BARTLETT. Yes.

Mr. PERKINS. The question, I believe, has been brought up somewhere.

Mr. BARTLETT. Yes.

Mr. PERKINS. And the only statements that I know of that were made that evening by any one, was the one by Mr. Cortelyou, which I have referred to, on the night of October 22, which was Tuesday.

Mr. BARTLETT. You did not authorize or make any statement or publish any statement with reference to the Trust Company of America being——

Mr. PERKINS. Well, of course, there was an enormous amount of excitement that day and that evening. The reporters had all sorts of stories, and were beseeching all of us for information, and we were meeting each question as best we could; but the only statement made, I think, was made by Mr. Cortelyou.

Mr. BARTLETT. You have no recollection of your authorizing any statement?

Mr. PERKINS. No; I did not authorize any. I know I saw reporters that evening and gave them such information as I could that would be helpful.

Mr. BARTLETT. You know it to be a fact, and you knew it to be a fact at the time, that the Trust Co. of America held about $500,000 of the Tennessee Coal & Iron Co.'s stock in its assets?

Mr. PERKINS. No, sir; I did not know it at that time. You are speaking now of Tuesday, October 22?

Mr. BARTLETT. I am speaking also of the 23d.

Mr. PERKINS. Well, the 23d; yes.

Mr. BARTLETT. You did not know that, at that time?

Mr. PERKINS. No; I did not know that until—oh, my—about the 1st of November; probably later.

Mr. BARTLETT. It was about that time—October 23—that the Secretary of the Treasury, Mr. Cortelyou, placed at the disposal of the banks, or deposited in New York, $25,000,000, was it not?

Mr. PERKINS. Yes; during that week, I should think.

Mr. BARTLETT. Was it not on October 23?

Mr. PERKINS. On Wednesday, October 24, there was—to go back to the 22d, there were heavy withdrawals on the 22d, which was Monday, from a number of institutions, in connection with the closing of the Knickerbocker that day.

Mr. BARTLETT. Yes.

Mr. PERKINS. The Trust Co. of America suffered particularly, and appealed to us in the evening of the 22d, in the afternoon, for help. Now, I think it is important for you gentlemen to realize that there was an organization of national banks in the clearing house, but there was no organization of the trust companies. Each one was an entity.

Mr. BARTLETT. Did you have a committee of trust companies?

Mr. PERKINS. No, sir. An effort was made on that Tuesday to organize a committee of trust companies, but it failed.

Mr. BARTLETT. Did not something which claimed to be a committee of trust companies in New York make a statement?

Mr. PERKINS. The effort was made on that Tuesday to get the trust companies together and form a committee, but it did not succeed, and the run on the Trust Co. of America and a great many other institutions continued through Wednesday, and Wednesday forenoon Mr. Morgan had me ask the presidents of the trust companies to come to J. P. Morgan & Co.'s office, which they did about noon on that day, and Mr. Morgan pictured the situation among the trust companies, that there was no organized effort, that the attack was coming, it was a trust-company panic, and this panic had been in the air on trust companies for several months.

He urged them to get together and take care of the weaker companies; and they failed to appreciate their responsibility, as he saw it, and hour after hour that day the Trust Co. of America kept sending in to us and saying that their cash was becoming lower and lower, and that they could not keep open; and finally, about half past 2 that day they sent word in and said they were going to close, and Mr. Morgan said he did not see anything else that they could do, but suggested that we consult some of the leading bankers, as long as the trust companies did not see their way clear to render any help.

Mr. BARTLETT. That was on the 24th?

Mr. PERKINS. On the 23d. And Mr. Morgan and Mr. Stillman and Mr. Baker——

Mr. BARTLETT. Mr. Baker, president of the First National?

Mr. PERKINS. Of the First National—advanced to the Trust Co. of America about a quarter of 3 o'clock that day enough money to enable them to meet their demands until 3 o'clock.

Mr. LINDABURY. What day of the week was this?

Mr. PERKINS. Wednesday, October 23. Then that evening we got the trust company presidents to all meet uptown at the office of the Union Trust Co., in an endeavor to raise $10,000,000 to place at the disposal of their weaker brothers the next morning. That conference lasted some time without any result, and it was just about to break up when the suggestion was made that possibly the Secretary of the Treasury could help in some way, and I went up to the Manhattan Hotel and saw him, and the plan was devised of his depositing, from this money that you just spoke of——

Mr. BARTLETT. $25,000,000?

Mr. PERKINS (continuing). $10,000,000 with the national banks on the next day, on their furnishing him with such bonds as the Government could legally take, and the banks, in turn, were to let these weaker trust companies have the money on securities which the stronger trust companies would furnish to the national banks. Finally, about midnight, that plan was agreed to, and the trust companies subscribed the $10,000,000, agreed to be responsible for it, and that is the way that that phase of the panic was met the next morning.

Mr. BARTLETT. Then the Trust Co. of America continued to pay off its depositors, and did pay them off, and never closed its doors?

Mr. PERKINS. Well, that $10,000,000 was swallowed up the next day so quick that you could not tell where it went to.

Mr. BARTLETT. I did not ask you that question. I have no doubt it was.

Mr. PERKINS. It was.

Mr. BARTLETT. The question I asked you was whether the Trust Co. of America continued to pay its depositors and never did close its doors?

Mr. PERKINS. Yes; but that one act did not prevent it from finally closing its doors. It had to be helped several times after that.

Mr. BARTLETT. In addition to the $25,000,000 deposit of the Secretary of the Treasury with the national banks, Mr. Morgan and his associate, Rockefeller, also aided them by depositing or advancing $60,000,000 on the market, did they not?

Mr. PERKINS. I never heard anything about any such figure as that.

Mr. BARTLETT. You never heard of that?

Mr. PERKINS. The following day, Thursday?

Mr. BARTLETT. Well, on the 24th.

Mr. PERKINS. This may be what you refer to.

Mr. BARTLETT. October 24?

Mr. PERKINS. Yes; October 24 was Thursday. Along about noon that day it became a matter of common knowledge that a great many stock-exchange houses could not borrow money for their business of that day; that these trust companies had called their loans and did not feel that they could make more loans, and money went up to from 120 to 125 per cent, and by 2 o'clock there was a desperate situation among all the stock-exchange houses of New York.

Mr. Morgan then asked the leading bankers of New York City to come into his office, that is, the officers of the national banks. They came in there, and he said that his best information showed that the stock-exchange houses needed $25,000,000 that day, and in a few moments the various banks agreed to subscribe to a fund equal to

$25,000,000, and that was secured about 5 or 10 minutes before the moment at which these firms would fail arrived; and that was loaned, and that carried the stock exchange over that day. That was another crisis we had.

Mr. BARTLETT. That was what?

Mr. PERKINS. That was another very desperate crisis we had that day.

Mr. BARTLETT. That was on the 24th?

Mr. PERKINS. Thursday, October 24. Now, the Pittsburgh Stock Exchange closed that day, and several other smaller banks in New York and Brooklyn, and I remember that that evening Mr. Clark Williams came to us and said that this situation was so critical with the banks throughout the State, the State banks, that Gov. Hughes thought of proclaiming a two-day holiday.

Mr. BARTLETT. Did he not come to you the next day and make the statement that the situation was improving—on the 25th?

Mr. LINDABURY. What was the day of the week? I remember those things by the day of the week.

Mr. BARTLETT. It may be Thursday, then, and that would be Friday the 25th.

Mr. PERKINS. Thursday was the 24th. Friday was October 25. When we went to bed Thursday night there was not a ray of hope in the situation. We did not expect the trust companies to open the next day, and everybody had given it up. I remember I went to Mr. Cortelyou's room. Their money was exhausted, and they did not see any way to get any.

Mr. BARTLETT. You mean the money of the trust companies?

Mr. PERKINS. No; of the Lincoln Trust Co. and the Trust Co. of America, on which the eyes of the people were riveted.

Mr. BARTLETT. Those two trust companies?

Mr. PERKINS. Yes; and I went to Mr. Cortelyou's room about 6 o'clock Friday morning and told him that nobody could think of anything more to do, and asked him if he had any suggestions. We talked about it as we sat there on the edge of his bed for a little while, and he said he thought we ought not to give the fight up.

Mr. LINDABURY. That was Mr. Cortelyou?

Mr. PERKINS. Mr. Cortelyou, who was then Secretary of the Treasury; and he urged me to try and see some of the gentlemen, and said while he did not have very much money left, he would spare some more if any way could be found to raise more money. I went up to Mr. Stillman's house and I reached there just as he was getting out of bed, and was shown up to his bedroom and told him what the Secretary said, and said the Secretary was so full of courage about it, if there was any possible way we could strain another point and help a little more, possibly we ought to do it. I sat there and talked about it a little bit, and he said, "I will go into the reserves of my bank a little further, but I have just telephoned to a prominent friend of mine that I think we are coming up to the greatest panic that any country has ever seen."

Mr. BARTLETT. It was getting beyond you?

Mr. PERKINS. Yes. That was Friday the 25th.

Mr. BARTLETT. Friday, October 25?

Mr. PERKINS. Yes. I went from there down town and saw Mr. Baker, and from there went around to Mr. Morgan's house, and those

he got together agreed that they would add to Mr. Cortelyou's sum some more money. We knew we would have another panic that day on the stock exchange, and we knew that those trust companies had to have some more money; and all the time the interior was beginning to pull on New York for money.

Mr. BARTLETT. And New York was not giving it?

Mr. PERKINS. It was giving it.

Mr. BARTLETT. To the interior?

Mr. PERKINS. It was giving it to the interior. And the next day we heard so much talk about money being locked up that I had an inquiry started to see how many new safe-deposit vault boxes had been chartered, and I found, in a rough way, that over 2,000 new safe-deposit vaults had been rented that week in New York City alone.

Mr. BARTLETT. Is that all you want to say with reference to that?

Mr. PERKINS. Well, that Friday, when we went down town, we had the same thing over again with the stock exchange. They were all nervous, and wanted more money to meet their loans and exchanges. Their prices were sagging all the while, and they were in these difficulties, and Mr. Morgan tried to get the bankers to come in that day and raise another fund, and he could not do it, and finally he went personally over to the clearing house and labored with those men to raise another fund.

Mr. STERLING. Over to where?

Mr. PERKINS. To the clearing house. And all that they were able to raise that day was about $15,000,000.

Mr. STERLING. That was all that they could raise?

Mr. PERKINS. That was all that they could raise. And we began to lend that on the stock exchange.

Mr. BARTLETT. That was Friday?

Mr. PERKINS. Friday. We began to lend that on the stock exchange, and, fortunately, it just about bridged everybody over. But if $20,000,000 had been needed that day, the stock exchange and 100 or more firms would have gone up, it was just that close. It was a touch and go.

Mr. BARTLETT. When was it, about this time, that it appeared in the public prints that the President congratulated the Secretary of the Treasury on checking the panic and on the way he had handled the crisis?

Mr. PERKINS. I have spoken now of Friday, October 25.

Mr. BARTLETT. Saturday was October 26?

Mr. PERKINS. Yes.

Mr. BARTLETT. The President issued a kind of statement in the papers, in which he congratulated his Secretary of the Treasury for the way in which he had handled the crisis, did he not?

Mr. PERKINS. Yes, sir; he did.

Mr. BARTLETT. And also congratulated the bankers in New York and the business men of New York on the valuable and patriotic service that they had rendered in checking the panic?

Mr. PERKINS. Yes.

Mr. BARTLETT. The President was mistaken about your checking the panic, was he not?

Mr. PERKINS. No; it was checked, but it was not stopped. I remember we did all we could to get the ministers of the city to allay

the fears the next day—Sunday—of the people. We did all we could to bring every influence to bear to quiet the fears. This was a panic with a big P.

Mr. BARTLETT. And it was a bankers' panic with a big B, was it not?

Mr. PERKINS. This panic was started under peculiar conditions.

Mr. BARTLETT. Yes; I would like to have them.

Mr. PERKINS. The country had been very prosperous, the cotton people had been very prosperous, our western farmers had been very prosperous, and you know, of course, that the financing of the country is done in the fall when the crops come in. The crops that year were about three weeks late, on the average. When the loans began to mature these crops had not been marketed. For a year or two there had been more and more a tendency on the part of the agricultural community to hold back their crops. They are getting pretty rich. Coupled with those tendencies——

Mr. BARTLETT. They were not, so far as cotton was concerned. They were all willing to have their prices fixed altogether on the cotton exchange in New York by the men that speculated in cotton, and they did not hold it back. Is not that true?

Mr. PERKINS. I do not know anything about that.

Mr. BARTLETT. That is true.

Mr. PERKINS. I only know that as the loans matured they were not met as promptly as in previous years. Cotton was rather late in maturing.

Mr. BARTLETT. A little late; but do you mean to say that the farmers did not meet their loans?

Mr. PERKINS. No, sir; the thing was two or three weeks deferred from the average time of the year.

Mr. BARTLETT. I do not know how other sections were affected, but the remarkable thing to us in Georgia about the panic was that the farmers had promptly met their obligations.

Mr. PERKINS. Of course I am speaking broadly of the whole country.

Mr. BARTLETT. You said something about cotton. I know that year the farmers had promptly met their obligations.

Mr. PERKINS. Yes. You will remember, of course, that one of the things that carried this panic on into the week after where we are now was the suspension of the exchange in New Orleans. You know that went out of business down there, finally?

Mr. BARTLETT. Yes; I know.

Mr. PERKINS. So that it was things like that that kept bringing this back all the while. It was like fire that you could not put out; when you would put it out in one place, it broke out in another place.

Mr. BARTLETT. Where did it first start; up around the Morse and Heinze banks, was it not?

Mr. PERKINS. This situation had been under discussion for a number of months. The trust companies had gone off into a kind of banking that trust companies, as such, perhaps should not have been in.

Mr. BARTLETT. What do you mean by that?

Mr. PERKINS. They went into outside enterprises.

Mr. BARTLETT. That was true particularly about Morse and Heinze, was it not?

Mr. PERKINS. Yes; I think that is a fair statement; and people began to be a little bit uneasy about trust companies.

Mr. BARTLETT. And a drive was made at the Morse and Heinze and Thomas banks, or trust companies?

Mr. PERKINS. I would not say there was a drive. I think it was just a natural distrust in the line of business they were doing.

Mr. BARTLETT. They were spreading out too much?

Mr. PERKINS. Yes.

Mr. BARTLETT. Undertaking to do too much business?

Mr. PERKINS. Well, of a kind that you should not do with trust funds, so to speak.

Mr. BARTLETT. That was the first disturbance of the situation, you think; disturbance of conditions?

Mr. PERKINS. That was the first outward manifestation of trouble.

Mr. BARTLETT. And they were the first men that either went to the wall or were forced to the wall, were they not?

Mr. PERKINS. They were the first institutions that closed; yes, sir. Then you know on that Saturday you referred to, the question came up of authorizing clearing-house certificates.

Mr. BARTLETT. On which Saturday?

Mr. PERKINS. That was Saturday, October 27.

Mr. BARTLETT. October 27?

Mr. PERKINS. Yes. I mean Saturday, October 26.

Mr. BARTLETT. When you closed on Saturday, you were in easier condition, were you not?

Mr. PERKINS. Well, we were easier in that that acute stage had been held in check, and we had some hope that the people would somewhat get over their fear and, so to speak, come to their senses. But you see, on Monday this thing broke loose. For instance, on Monday, October 28, the governor of Oklahoma declared a legal holiday and Duluth suspended grain trading. Just think of such a thing as that! Nevada declared a holiday. When we got down town we had to get up a new fund for the stock exchange. Chicago went to clearing-house certificates on that Monday, and right on top of what we had hoped would delay the panic, it all broke loose again.

Mr. BARTLETT. And it was not until Moore & Schley got rid of their Tennessee Coal & Iron Co. stock that the panic was stopped; is that true?

Mr. PERKINS. It was not until the general adjustment, made in connection with saving them, that it was stopped. You know, the United States Steel Corporation took over the Tennessee Coal & Iron Co. on the 4th of November.

Mr. BARTLETT. On the 4th?

Mr. PERKINS. Yes; and one of the conditions that was named in connection with it was that if they took the Tennessee Coal & Iron Co., the banking interests must insure the safety of the trust companies that were still suffering, so that when the Steel Corporation took that, Mr. Morgan and Mr. Stillman and the trust company people had to get up a plan at the same time to provide those trust companies with enough more money so that they could not fail, the next Wednesday, and that whole thing was announced in the papers of Wednesday morning, November 6, not only that Moore & Schley and their ramifications had been saved, but that the trust companies had been put in enough funds to see them safely through.

Mr. BARTLETT. The trust companies?

Mr. PERKINS. Yes; and those statements were given out simultaneously on the morning of November 6; and I think that ought not to be overlooked, because it was not simply the one trade, of having Moore & Schley saved that day, but it was distinctly stated that if the Steel Corporation, by taking of the Tennessee Coal & Iron Co., saved Moore & Schley, and that group, the bankers would raise enough more money to save the trust companies. Otherwise nobody would have opened that Monday morning, of that entire group—Monday morning, November 4.

Mr. BARTLETT. I do not know whether you know it is a fact, but the Tennessee Coal & Iron stock which was up in the Trust Co. of America was taken care of not by this arrangement but by the payment of the debt of the parties who had it up as collateral.

Mr. PERKINS. My dear Judge, that was a mere fleabite. It had not anything at all to do with the whole situation, not a thing.

Mr. BARTLETT. So that you did not consider, in taking care of the Trust Co. of America, that it had any Tennessee Coal & Iron stock or not?

Mr. PERKINS. Why, no. It did not amount to more than $400,000 or $500,000. It was nothing at all.

Mr. BARTLETT. How much of the Tennessee Coal & Iron stock was up for Moore & Schley's debt, do you know?

Mr. PERKINS. No, sir, I do not; but another thing that I hope you gentlemen will get into your minds is that Moore & Schley's debt was not all call loans that the banks could or could not call, perhaps. A good deal of it was time loans, maturing right then and there.

Mr. BARTLETT. They could not be extended?

Mr. PERKINS. The banks naturally said, "We are going to get this money in and send it to St. Paul and Duluth," and other places out there; and suddenly Moore & Schley turned up and said, "We can not pay our time loans."

Mr. BARTLETT. Do you know that that happened, that they said they could not pay their time loans if they were called on?

Mr. PERKINS. I do know it; because Mr. Schley told me so himself.

Mr. BARTLETT. Mr. Schley, according to my recollection, stated before this committee that no call was made on him up to that time to which he did not respond.

Mr. PERKINS. Naturally; he would have failed if he had not responded up to that time.

Mr. BARTLETT. That is up to the time of the absorption of the Tennessee Coal & Iron Co.?

Mr. PERKINS. Of course, he had met everything up to this hour, but it was the 12, 24, or 36 hours ahead of him that he was fighting to be ready to meet.

Mr. BARTLETT. As I understand the situation, it was not so much the value of the stocks, what the stocks of the Tennessee Coal & Iron Co. were worth intrinsically, or what the value of the Steel Co.'s bonds was intrinsically; it was just a condition in which the public believed that the Tennessee Coal & Iron stock was not as good as the bonds, is that it?

Mr. PERKINS. In a panic, of course, a man is frightened simply because he is afraid.

Mr. BARTLETT. Yes.

Mr. PERKINS. The people were panic-stricken to a degree; and you put it exactly. It was not a question of the intrinsic worth of anything; it was what people thought a thing was worth.

Mr. BARTLETT. How did it come about that the Tennessee Coal & Iron Co., which on the 3d or 4th of November was exchanged for steel second 5 per cent mortgage bonds at a ratio of 100 for the stock to about 84, I believe, for the bonds, was put at that figure; that that exchange for what people did not think was good for something, that was not intrinsically as good, stopped the panic?

Mr. PERKINS. It did not, alone; but if you will look it up, you will find that those steel bonds, thus exchanged, immediately began to fall in the market. My recollection is that they went off three or four points in three or four days.

Mr. YOUNG. 3.79.

Mr. PERKINS. That is about it. They went off several points. Why? Because people began to sell them out of those loans. People who had taken the money and put it in safety deposit vaults were willing to take it out and put it in bonds. There was confidence in the steel bonds, and there was not any in the Tennessee Coal & Iron stock.

Mr. BARTLETT. Why?

Mr. PERKINS. I do not know. Ask human nature.

Mr. BARTLETT. There was no money at all passed, was there, when the exchange was made of the steel bonds for the Tennessee Coal & Iron stock?

Mr. PERKINS. No, sir; there was no money passed in that particular transaction; but something passed to the banks in lieu of the Tennessee Coal & Iron stock that people were willing to take for money.

Mr. BARTLETT. Would not a loan to the Tennessee Coal & Iron Co., to Moore & Schley, originally have relieved the situation?

Mr. PERKINS. Absolutely; but who was going to make it? We had, just three or four days before that, to furnish New York City with $30,000,000 or they would have failed.

Mr. BARTLETT. What do you mean by New York City failing?

Mr. PERKINS. The city of New York.

Mr. BARTLETT. It would have failed to meet its obligations?

Mr. PERKINS. Yes; and Mr. Morgan and Mr. Baker and Mr. Stillman themselves took—agreed to take—those $30,000,000 of city warrants. We put them in the banks and took clearing-house certificates and financed it so that the city of New York could pay its obligations. We tried to get Europe to take some New York City bonds at that time, and they would not take them.

Mr. REED. At what per cent?

Mr. PERKINS. At what rate?

Mr. REED. Yes.

Mr. PERKINS. Six per cent; city warrants. We could not place them in Europe. What do you suppose would have happened to this country if it had come out that the city of New York had failed?

Mr. BARTLETT. I do not know. Now, taking all this in view, that was the reason why you stated, in answer to a question, or volunteered it, I do not know which, that you regarded Mr. Morgan during all that time as the chief life-saver in that panic?

Mr. PERKINS. I certainly did. If there ever was a general in charge of any fight for any people that did more intelligent, courageous work than Mr. Morgan did for the people then, I do not know of it in history.

Mr. BARTLETT. I will not take issue with you about it. The only thing is, you do not think, then, that the President saved the panic?

Mr. PERKINS. I certainly do. I think he not only saved the panic when he kept his hands off the Tennessee Coal & Iron Co., but I think he also saved it when he did another thing. One day we found we could not get cotton and grain moved fast enough to New York, because the railroads were afraid to discriminate against other things, and I called up Mr. Cortelyou and told him. I said, "Will you not see whether there would be any objection to Washington for the railroads to discriminate in favor of grains that we can get into bottoms and draw on?" And Mr. Cortelyou called me up in a few hours and said, "Tell the railroads to go ahead."

Mr. BARTLETT. To do what?

Mr. PERKINS. To move grain and things that we could get into bottoms and send to Europe.

Mr. BARTLETT. And violate the law?

Mr. YOUNG. You mean discriminate in furnishing cars?

Mr. PERKINS. In furnishing cars for those products. The administration did a most useful and heroic thing when they did that. Everybody was fighting this disease.

The CHAIRMAN. Right there. As I understand you, the exigencies of the case were such as to give the President of the United States a plenary indulgence, for the time, to set aside the law?

Mr. LINDABURY. I object to that. The witness has not said that.

The CHAIRMAN. I want to know.

Mr. LINDABURY. The facts do not justify it.

The CHAIRMAN. I think the facts do justify it, absolutely.

Mr. LINDABURY. That is a matter of argument. Anyhow, the witness has not expressed such a view.

The CHAIRMAN. I so understood him.

Mr. LINDABURY. I am calling the chairman's attention to his misunderstanding.

Mr. PERKINS. I do not think I am qualified to go into that question. I do not know.

Mr. BARTLETT. If I understood you, some one, you do not know who, suggested, when you met Mr. Ledyard—and I do not recall, now, that you fixed that date, and I wish you would—and he brought it to the attention of Mr. Morgan in Mr. Morgan's library, the condition of Moore & Schley. Will you fix that date?

Mr. PERKINS. That was either October 25 or Saturday, October 26.

Mr. BARTLETT. Very well. Now, you said that Mr. Ledyard told Mr. Morgan that it had been suggested by some one, whose name either he did not give or you have not given, that the only thing that would save Moore & Schley's firm on the next day was for some one to exchange Steel bonds for the Tennessee Coal & Iron stock. Now, did I understand you correctly?

Mr. PERKINS. Mr. Schley, of course, has already testified, I believe, that it was the Tennessee Coal & Iron that was making him trouble.

Mr. BARTLETT. Not altogether. He testified——

Mr. PERKINS. Or words to that effect.

Mr. BARTLETT. He does not put it that way.

Mr. PERKINS He said that he had a great deal of it in his loans; too much.

Mr. BARTLETT. No; he had about $33,000,000 worth of loans, two-thirds of which were secured by liquid and available securities, one-third of which were secured by what he called undercurrent, amongst which were about one-third of the Tennessee Coal & Iron stock.

Mr. PERKINS. Yes.

Mr. BARTLETT. That is his statement.

Mr. STERLING. He said that he had about eleven or twelve million dollars to apply on his debts through this exchange of Tennessee Coal & Iron for the United States Steel Corporation bonds.

Mr. BARTLETT. He said that, too.

Mr. PERKINS. Yes.

Mr. BARTLETT. I am not inaccuratae in my statement about what he said.

Mr. PERKINS. Yes; and that was the result of the exchange to him.

Mr. YOUNG. Your statement is absolutely accurate, but not complete.

Mr. BARTLETT. Well, he said a great deal.

Mr. PERKINS. Yes.

Mr. BARTLETT. Now, you did not understand Mr. Schley to say, and you have not yet understood anyone to say, that Mr. Schley had up in his loans a majority of the stock of the Tennessee Coal & Iron Co.?

Mr. PERKINS. I do not recall that the question came up as to whether they had a majority of the Tennessee Coal & Iron stock. It was not a question of the Steel Corporation getting the Tennessee Coal & Iron Co. at all.

Mr. BARTLETT. It may not have been then. It has resulted in it.

Mr. PERKINS. It has resulted in it, but that was not the question as to moment.

Mr. BARTLETT. Now, it was not a fact known to you, or, I believe, by Mr. Morgan or by any of these parties that took part in this, that among the assets of Moore & Schley was a majority of the stock of the Tennessee Coal & Iron Co.?

Mr. PERKINS. You mean it was not known?

Mr. BARTLETT. Yes.

Mr. PERKINS. I do not recall that it was.

Mr. BARTLETT. That statement was not made by Mr. Ledyard to Mr. Morgan, or by anyone in your presence when you discussed the transfer of this stock for the bonds?

Mr. PERKINS. Not to my recollection. I do not see that that had anything at all to do with it.

Mr. BARTLETT. It seems to have had something to do with the action of the President, at least.

Mr. PERKINS. No, sir.

Mr. BARTLETT. Well, I will read what he said to the Attorney General on November 4:

They state—

That is, Judge Gary and Mr. Frick. They were the men delegated to come to Washington to see the President, were they not?

Mr. PERKINS. Yes, sir.

Mr. BARTLETT. You knew they were coming?

Mr. PERKINS. I knew they were going.

Mr. BARTLETT. And you knew the purpose of it?

Mr. PERKINS. Yes; I knew.

Mr. BARTLETT. That it was for the purpose of seeing whether he would acquiesce in, consent to, or not object to the transfer?

Mr. PERKINS. The latter; yes, sir.

Mr. BARTLETT. Now, here is what he said in a letter in regard to that matter, in a letter which he wrote to the Attorney General, dated November 4, 1907:

They state—

That is, Messrs. Gary and Frick—

that there is a certain business firm (the name of which I have not been told, but which is of real importance in New York business circles) which will undoubtedly fail this week if help is not given. Among its assets are a majority of the securities of the Tennessee Coal Co.

Now, I understand you to say that so far as you know, and up to the time that Judge Gary and Mr. Frick left for Washington, there was no statement made of the condition of Moore & Schley, that amongst the assets they had was a majority of the stock of the Tennessee Coal & Iron Co.?

Mr. PERKINS. No, sir; I have not stated that.

Mr. BARTLETT. I said you did not. You have stated that that did not occur?

Mr. PERKINS. No, sir; I did not state that. I beg your pardon. I said I did not know that. It would not come to my knowledge; it would naturally have come to Judge Gary's knowledge, because he was the executive officer of the United States Steel Corporation conducting that negotiation.

Mr. BARTLETT. Did Mr. Ledyard or Mr. Schley, in any of these conversations that you had with either, or that you had with Mr. Morgan in his library, in your presence, make any such statement, or give ground to draw any such inference?

Mr. PERKINS. It was not a question of inference. It was a question that if Moore & Schley had not been relieved financially that day——

Mr. BARTLETT. I am not asking you that question.

Mr. PERKINS (continuing). They would have failed the next Monday.

Mr. BARTLETT. I understood that to be your opinion.

Mr. PERKINS. It is not my opinion; it is a fact.

Mr. BARTLETT. I understand that to be what you regard as a fact; but the fact I want to know is whether Mr. Schley had stated to you that they held a majority of this stock, and it was up for their loans.

Mr. PERKINS. They would have stated that to Judge Gary or to Mr. Morgan. I might not necessarily have heard it. If it is a matter of record, of course it is so. The amount, I knew, was very large. Whether it was 49 per cent or 51 per cent did not make the slightest difference so far as what I was trying to do in my capacity was concerned of negotiating some arrangement with Moore & Schley by which they would not fail.

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Mr. PERKINS (continuing). They would have failed the next Monday.

Mr. BARTLETT. I understood that to be your opinion.

Mr. PERKINS. It is not my opinion; it is a fact.

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Mr. BARTLETT. But you know from all these investigations that have been made since that they did not have a majority?

Mr. PERKINS. That they did not have?

Mr. BARTLETT. That they, Moore & Schley, did not have up as collateral for their loans a majority of the stock of the Tennessee Coal & Iron Co.

Mr. PERKINS. You say that has developed?

Mr. BARTLETT. Yes.

Mr. PERKINS. The question of whether they themselves—they were not the only people that would have failed on Monday. The ramifications of that firm were very wide. I suppose you know what happened when Jay Cooke failed?

Mr. BARTLETT. I do not know that I can go that far back.

Mr. PERKINS. I beg your pardon. I would not say that I did.

Mr. BARTLETT. So that if Mr. Gary and Mr. Frick made this statement about Moore & Schley's debt, you had not heard up to that time what amount they did control, except that it was a large amount?

Mr. PERKINS. I knew that it was very large. It may have been 60 per cent or 45 per cent; it did not make the slightest difference, so far as I was concerned.

Mr. BARTLETT. Do you know that it was not over $5,000,000?

Mr. PERKINS. What?

Mr. BARTLETT. Do you know whether the amount was over $5,000,000?

Mr. PERKINS. Absolutely whether it was?

Mr. BARTLETT. Yes.

Mr. PERKINS. No, sir. The fire had to be put out in that quarter at that time?

Mr. BARTLETT. We heard that last Saturday, I believe.

Mr. PERKINS. You can not hear it too often.

Mr. REED. You do not mean to state that only five or six millions of dollars of stock was pledged?

Mr. BARTLETT. No; I said they owned $5,000,000 of the stock.

Mr. REED. Yes.

Mr. BARTLETT. What time did Judge Gary and Mr. Frick leave for Washington? Do you know?

Mr. PERKINS. Yes; they left at midnight on Sunday.

Mr. BARTLETT. They left immediately upon the determination that it was necessary to see the President, did they not?

Mr. PERKINS. Well, we had determined on Saturday that in the negotiations of Moore & Schley, if anything of that sort was to be done, the President ought to be consulted; but the first offer made to Moore & Schley on Saturday would not save them. They could not accept it. So Judge Gary and Mr. Frick did not go over until Sunday night, and further negotiations with Moore & Schley contined all through the next day, which was Sunday, and then Sunday night Judge Gary and Mr. Frick went to Washington and saw the President Monday morning, and it was just a question of whether we got that word downtown before 10 o'clock or whether we did not; it was a question of how early Monday morning they could see the President. If they had not seen him, so that we could have known, these two trust companies would not have opened that morning, and we would have had failures all day long.

Mr. BARTLETT. You are not prepared to say that these two trust companies would have failed? What are their names, the Lincoln Trust Co. and——

Mr. PERKINS. The Lincoln Trust Co. and the Trust Co. of America.

Mr. BARTLETT. Now, you have stated that the amount of the Tennessee Coal & Iron stock that the Trust Co. of America had pledged for its loans a mere bagatelle—some $400,000 or $500,000?

Mr. PERKINS. Yes; that is right.

Mr. BARTLETT. Do you mean to say that if that stock had not been taken out of that loan by this transfer that company would have failed?

Mr. PERKINS. No; I do not mean that. I testified that it had nothing to do with it.

Mr. BARTLETT. Exactly.

Mr. PERKINS. But the Trust Co. of America had been drained of millions and millions and millions. It had not any more millions; and, as I said awhile ago, a part of the trade by which the Steel Corporation took the Tennessee Coal & Iron Co. was that if they took it the bankers would provide more money to those two trust companies and see them through.

Mr. STERLING. And they both opened up Monday morning, did they?

Mr. PERKINS. Yes; they both opened up Monday morning, and the next day was a holiday, so that we had the next day to make the plans; and you will find in the newspapers the next day, October 6, a formal statement was given out by Mr. King, the chairman of the trust company committee, that the funds had been provided to take care of those two trust companies.

Mr. BARTLETT. Now, do you mean to say that in order to save a trust company which only had a mere bagatelle, so far as the situation was concerned, of the Tennessee Coal & Iron stock as its collateral—in order to save them it became necessary that an agreement should be reached by which the Tennessee Coal & Iron Co.'s stock should be exchanged for Steel bonds?

Mr. PERKINS. My dear sir, I do not mean to say that at all.

Mr. BARTLETT. You do not? What do you mean to say?

Mr. PERKINS. I mean to say that the situation was so desperate at the time, about those two trust companies in their entirety, without regard to any particular thing they had—they were out of cash. Somebody had to furnish them with some more cash.

Mr. BARTLETT. But the furnishing of that cash did not depend on whether you sold the Tennessee Coal & Iron stock or exchanged it?

Mr. PERKINS. It depended on whether or not the Steel Corporation took the Tennessee Coal & Iron. If they did that as their share, then the bankers, as their share, to stop this panic, were to furnish $15,000,000 more to the Lincoln Trust Co. and the Trust Co. of America; don't you see?

Mr. BARTLETT. It all hinged on the sale of the Tennessee Coal & Iron Co.?

Mr. PERKINS. The Steel Corporation was to do one thing to save one end of it, and the bankers were to do another thing to save the other end of it.

Mr. BARTLETT. Then the question of the acquisition of the Tennessee Coal & Iron Co. by the Steel Corporation was never brought up in any way, except with a view of stopping the panic and saving these companies; is that true?

Mr. PERKINS. You are quite right. I am glad to see it placed that way at last. You are quite right.

Mr. BARTLETT. And then at the second or the third, or whatever stage of the panic it was, it was suggested by some one whose name you have not yet divulged that if the Tennessee Coal & Iron stock on which you had various loans were taken out of those loans in some way, it would prevent a great many failures and avert a further spread of the panic; is that true?

Mr. PERKINS. Yes.

Mr. BARTLETT. And so far as the Steel Corporation was concerned, they were rather reluctant to do this, were they not?

Mr. PERKINS. Decidedly. There was not one of us that wanted the Tennessee Coal & Iron Co.

Mr. BARTLETT. You did not regard it as a valuable property?

Mr. PERKINS. Yes, sir.

Mr. BARTLETT. Is it not a fact that it added to your property and has added to the value of your securities?

Mr. PERKINS. No, sir. It added, to a very small percentage, to our capacity. It did not add, in our judgment, to the value of our securities.

Mr. BARTLETT. It did not?

Mr. PERKINS. No, sir.

The CHAIRMAN. How many acres of land did the Tennessee Coal & Iron Co. have?

Mr. PERKINS. I do not know, Mr. Chairman.

The CHAIRMAN. How many tons of ore?

Mr. PERKINS. I do not know.

The CHAIRMAN. How many tons of coal?

Mr. PERKINS. I do not know. I have never gone into any of those questions.

The CHAIRMAN. Do you not know that the absorption of the Tennessee Coal & Iron Co. quadrupled your acres?

Mr. PERKINS. I do not.

The CHAIRMAN. Do you not know that it doubled your tonnage of iron ore?

Mr. PERKINS. I do not.

The CHAIRMAN. Do you not know that it added an infinite domain to your coal holdings?

Mr. PERKINS. I know that it added, naturally, to those properties.

The CHAIRMAN. And do you not know that every trade journal in this country, the Iron Age and this Baltimore concern—what do you call it—the Manufacturers' Record, which is now rather unkind in its compliments to me——

Mr. PERKINS. That is to be regretted.

The CHAIRMAN. Do you not know that that concern, even, has stated, in authorized editorials and contributions, that it did more to absorb the water in the United States Steel Corporation than any one thing you ever did? Do you not know that?

Mr. PERKINS. I never even heard anybody suggest that.

The CHAIRMAN. I will put their articles into the record.

Mr. LINDABURY. As what—proof? [Laughter.]

The CHAIRMAN. As to the value of the property. Now, I mentioned this Manufacturers' Record because they have become exceedingly tender of this investigation, and I wish to recall to them some things they have previously said.

Mr. BARTLETT. I understand you that the Steel Corporation did not look with favor on this transfer at all?

Mr. PERKINS. No, sir.

Mr. BARTLETT. And they thought that the price was too high?

Mr. PERKINS. They did.

Mr. BARTLETT. They had, however, offered a short while before that to lend, and they did lend, some $1,200,000 on the stock, did they not?

Mr. PERKINS. I think they did; some such amount.

Mr. BARTLETT. Valuing the stock at about 60 on the loan, did they not?

Mr. PERKINS. I do not know about that.

Mr. BARTLETT. Very well. Never mind about that.

Mr. PERKINS. It was earlier in the week, when it was then thought it was possible to save Moore & Schley.

Mr. BARTLETT. And they were willing—do you not know that they were willing—to lend an additional sum?

Mr. LINDABURY. $5,000,000.

Mr. BARTLETT. Some $5,000,000?

Mr. PERKINS. Yes; that was our first effort. On Saturday the Steel Corporation offered to loan Moore & Schley $5,000,000 on their equities, to be supplemented with securities that individuals would put up. They said that would not save them.

Mr. BARTLETT. You know Mr. Topping, do you not?

Mr. PERKINS. Mr. Topping?

Mr. BARTLETT. Yes.

Mr. PERKINS. Slightly; yes.

Mr. BARTLETT. And Mr. Hanna—Mr. L. B. Hanna?

Mr. PERKINS. Mr. L. C. Hanna, of Cleveland?

Mr. BARTLETT. Mr. L. C. Hanna, of Cleveland?

Mr. PERKINS. Yes.

Mr. BARTLETT. Mr. Topping stated that, in his opinion, the purchase and transfer, the merger or absorption—you can call it by whatever name suits you best; I think you called it a purchase in your testimony—added materially to the value of the securities of the Steel Corporation. You do not believe that?

Mr. PERKINS. I will not say that. I will say that it was not considered at all in that particular. Whether it is a matter of intrinsic value or not is another matter.

Mr. BARTLETT. Of course, you want us to understand, and, of course, I do not question your opinion about it, that this purchase or transfer of the Steel Corporation's bonds in exchange for the Tennessee Coal & Iron stock, by which you acquired all of it, except about $220,000, did you not——

Mr. PERKINS. I do not know; a very small amount.

Mr. BARTLETT. Very well; not only an absolute controlling interest, but all but a small proportion, did you not?

Mr. PERKINS. Yes; I think you are right.

Mr. BARTLETT (continuing). Was not a matter of a business transaction, at all, but one purely for the prevention of the panic and a kind of a patriotic, beautiful motive, is that right?

Mr. PERKINS. I would rather put it this way——

Mr. BARTLETT. Well, I want you to put it your own way.

Mr. PERKINS. It was started purely to save the panic.

Mr. BARTLETT. And it did save the panic?

Mr. PERKINS. And it did; it was one of the factors that saved the panic.

Mr. BARTLETT. It wound up a series of panics?

Mr. PERKINS. Yes; it was potential in that relation.

Mr. BARTLETT. Yes.

Mr. PERKINS. But it was started with that idea solely in view. When Judge Gary and others who were associated with him came to the point of trading for this Tennessee Coal & Iron stock, they naturally used ordinary business sense and made the best trade they could for the stock, in view of all the circumstances that they had to consider.

Mr. BARTLETT. This transfer was made on Tuesday, November 4?

Mr. PERKINS. Tuesday was a holiday.

Mr. BARTLETT. On Wednesday, then?

Mr. PERKINS. It was practically known on Monday. The papers were practically concluded on Tuesday, and the formal announcement I have referred to in regard to the Steel Corporation taking the Tennessee Coal & Iron Co. and to the fact that the trust companies had raised $15,000,000 more to conclude the trouble with the other trust companies, all that was given to the papers about 2 or 3 o'clock on Wednesday morning, November 6.

Mr. BARTLETT. And a mere announcement, then, of the fact that the Tennessee Coal & Iron Co.'s property had been transferred, in the way that it is not necessary to again repeat, restored the confidence of the public, and everything went on better?

Mr. PERKINS. No, sir; not that alone; everything else and that taken together.

Mr. BARTLETT. That was a big factor in it?

Mr. PERKINS. It was a large factor, a very important factor, and if that could not have been done, the whole situation would have gone.

Mr. BARTLETT. Who was the controlling force in the financial situation; what man was the controlling force and power in New York during that panic?

Mr. PERKINS. Well, I should say his name was legion probably in helpfulness, and doing everything he could to help. Everybody that had a particle of courage helped.

Mr. BARTLETT. Is it not a fact that Mr. Morgan and his associates, not only in that panic but in all panics and at all times, so conrol and dominate the financial situation in New York that they can control it as they please?

Mr. PERKINS. Absolutely not. There never was anything further from the facts than that statement, with all due respect to you, sir.

Mr. BARTLETT. Oh, I want to know.

Mr. PERKINS. Mr. Morgan was able to do what he did in that panic because of the man and his personalty, and because people

believed in him, and other people rallied around him and helped all they could.

Mr. BARTLETT. You need not get excited about it.

Mr. PERKINS. I am not getting excited, but I am earnest.

Mr. BARTLETT. Well, I will put it "earnest" then.

Mr. PERKINS. I do not ever wish you any harm, but were you ever in any real panic of any kind?

Mr. BARTLETT. I was, to some extent, away down in Georgia, and suffered somewhat from it.

Mr. PERKINS. Yes.

Mr. LINDABURY. I would like to tell the witness that what Mr. Morgan did for New York, Judge Bartlett did for his town, I am told.

Mr. BARTLETT. Well, I think we applied honest methods and business methods to what happened.

Mr. LINDABURY. I think that is what Mr. Morgan did.

Mr. BARTLETT. I hope so. You understand what I mean?

Mr. PERKINS. I do judge; yes.

Mr. BARTLETT. Is it not true that this panic started by a drive, an assault, upon Moore & Schley and the Thomas banks, and that after it started it got beyond the bankers' control in New York?

Mr. PERKINS. That is, in toto, not so. There never was any drive, so far as I know—and I think I was in a position where I would have known—against anybody.

Mr. BARTLETT. I think you would have. That is the reason why I am asking you. I have seen it stated.

Mr. PERKINS. Yes; I have seen a good many things stated about that panic.

Mr. BARTLETT. Yes. I do not believe all I see and only about one-sixth of what I hear.

Mr. PERKINS. I think you might put it at even a smaller percentage than that and not be far wrong.

Mr. BARTLETT. I want to ask you one or two questions about another matter, but I can ask them after the chairman gets through.

The CHAIRMAN. Mr. Perkins, speaking of those things that are mere rumors, errors that creep into the press because these fellows are indifferent to the truth——

Mr. PERKINS. I would not think it possible.

The CHAIRMAN (continuing). Is it not, as a rule, true that the representatives of the press are about as keen, bright, and honest as the rest of us, and that they usually reflect conditions as they exist? That is my experience after 10 years of public life.

Mr. PERKINS (to the newspaper men). Are you not going to get up and bow?

Mr. LINDABURY. I think that ought to be reported in full.

The CHAIRMAN. I hope it will be.

Mr. LINDABURY. It will be.

The CHAIRMAN. I am not accustomed to say "My dear Gaston" to the press, as everyone present will witness, but I have before me a very remarkable statement that I would not credit, that I would not believe, if I read it in any newspaper in the world. I would say that it was a miserable slander—no; I will not put the word "slander," but I would say that it was a miserable misrepresentation of the position of the United States Steel Corporation in the business of

the country, a perversion of the statements of the gentleman who now appears before me. But, finding this startling statement in the minutes of the United States Steel Corporation, I wish to call your attention to it. On March 4, 1902, at 12 o'clock noon, there were present at the executive committee meeting of the United States Steel Corporation, with Mr. Gary in the chair——

Mr. PERKINS. I beg your pardon, Mr. Chairman, is that the executive committee or the finance committee?

The CHAIRMAN. The executive committee. There were present Mr. George W. Perkins, Mr. Charles Steele, Mr. Percival Roberts, jr., Mr. Edmund C. Converse, and Mr. Daniel G. Reid. At that time it recites Mr. Perkins appeared before that committee and made the following proposition:

Mr. PERKINS. I would like to report to your committee a plan we have been talking over in the finance committee and which we are going to submit to the board of directors to-day. When the separate companies were brought together you will remember there were a great many contracts that had recently been made for extensions, improvements, and one thing and another that aggregated something over $40,000,000. We finally gathered them together and your committee did splendid work in canceling many of these contracts and finally reduced them to something under $20,000,000. These contracts had to be carried out and we have gone on with them and paid off a good part of that sum already. Then the purchase of the Rockefeller properties was effected at the time of the consolidation and we made him notes maturing this year, amounting to something like $10,000,000.

So there is something like $30,000,000 in amount that was not capitalized at the time, and we have been somewhat bothered to know just what to do with it. It was not fair to take it out of the earnings of the several companies, we thought, after they were brought together, and we have given the matter a good deal of thought as to how and what to do with it and not hurt the securities. And it brought about this idea of an attempt to retire part of the preferred stock of the company for second-mortgage bonds and have enough in so doing so we could get out an extra amount of bonds to cover these items. After working at it for two or three months we have this plan in mind:

We think we can take up about 40 per cent of the preferred stock, or $200,000,000, which now costs $14,000,000 a year in dividends at 7 per cent on $200,000,000, and in place of that issue $250,000,000 of second mortgage 5 per cent bonds. That would call for $12,500,000; and then have $50,000,000 of new money, in addition to saving a million and a half a year, $12,500,000 as against $14,000,000. So we would get $50,000,000 without costing us anything and save a million and a half a year besides.

Did you ever propose such an operation in stocks and bonds as to get $50,000,000 for nothing from somebody, somehow, some way?

Mr. PERKINS. No, sir.

The CHAIRMAN. Very well. [Continuing reading:]

There is no question that it would be very desirable from the standpoint of the company if we can retire the preferred stock. When we came to look into that we concluded the only time to do it was when the preferred stock was below par, as it would then be some inducement with people to take the bonds.

Did you make such a proposition as that at that time?

Mr. PERKINS. I suggested what is known as the steel-conversion plan, by which a large amount of preferred stock was to be converted into second-mortgage bonds.

The CHAIRMAN. Did you propose this transaction with that reason for it that is given here?

Mr. PERKINS. Mr. Chairman, if I may be permitted, thinking that you might touch upon that, I have prepared a statement of just what I did do in that matter, and with your permission I would be glad to read it. I have tried to make it as clear as possible.

The CHAIRMAN. I will be glad to have you do so when I complete this examination.

Mr. PERKINS. Oh, I beg your pardon.

The CHAIRMAN (continuing reading):

If they had stock at 95, say, and could turn it into bonds at par, they might feel that there was something in it.

Feel that there was something in it? Was there anything in it?

Mr. PERKINS. I can hardly tell what you mean by your question.

The CHAIRMAN. You say that the people who take these bonds might feel that there was something in it. Was there anything in it?

Mr. PERKINS. I do not know what your inference is, but the idea was that we, of course, could not get people to exchange a 7 per cent preferred stock for a 5 per cent bond, unless, of course, the stock was selling at a price that made them feel that it was a fair exchange.

The CHAIRMAN. I understand. That is, they would have that impression?

Mr. PERKINS. Just as I put it, I think is fair.

The CHAIRMAN. All right. [Continuing reading:]

And further, we can only do it when the preferred stock is held in large blocks, so we could get a syndicate of it. We began to look about for the large preferred stockholders and have been successful after two or three months' work in getting up a good-sized syndicate of large stockholders who would put up their preferred stock and underwrite for the success of the thing, provided the stockholders generally did not take it. The idea of the finance committee was that we would make an offer to all of the preferred stockholders and say: "Will you exchange 40 per cent of the preferred stock for these second-mortgage bonds?"; and if they did not do it, then the syndicate would stand ready to do so to a reasonable extent; and if we did not get the entire 40 per cent—say, for instance, we only got 20 per cent—we would issue 25 per cent of additional bonds for whatever stock we took up. That is, if we took up 20 per cent of the preferred stock, or $100,000,000, we would issue $25,000,000 of bonds in place of $50,000,000.

We thought it would be a desirable plan in a good many ways; it would give us $50,000,000 of cash without cost.

Did you make that speech?

Mr. PERKINS. The plan worked out that if we were able to place that $250,000,000 of bonds in lieu of $200,000,000 of stock, the bonds only bearing 5 per cent interest and the stock calling for 7 per cent dividends, cumulative, the net result would be that the company would have $50,000,000 more of working capital and would have to pay $1,500,000 less in interest a year.

The CHAIRMAN. Do you think it was right and just, morally, for you to devise any plan by which you could get $50,000,000 from your stockholders without cost?

Mr. PERKINS. I think the plan, as devised and put into operation, was absolutely sound in every particular.

The CHAIRMAN (continuing reading):

We thought it would be a desirable plan in a good many ways; it would give us $50,000,000 of cash without cost; it would wipe out these inherited improvements and pay the Rockefeller notes. We have made an arrangement with them to take these bonds in settlement of their obligations, which is a good thing, of course, and leave us an additional sum of money that might be used in reorganizing some of the plants and doing things that we want to have done in Chicago and for the bridge company at Pittsburgh. In this way the money really would earn in two ways: First, in the handling of the products between the mills, saving in management in handling the business, and increasing the efficiency of the mills so as to give a larger output and make more money in

that way. As to how the stockholders will take it, it seems to us if the preferred stock was reduced about 40 per cent the remaining 60 per cent would be more favorable, and the preferred stockholders might look at it in that way.

We have thought the bonds might be a 50-year bond and convertible into preferred stock within 10 years and redeemable at the convenience of the company after 10 years at 110. Another thing we would accomplish: If we got 40 per cent of the preferred stock in obligations maturing in 50 years we would be creating a sinking fund for retiring what is considered some of the water in the concern.

How much water was there in the concern?

Mr. PERKINS. I did not feel that there was any. I think I have said there "what is considered." It was the common talk around that it was water.

Mr. BARTLETT. Call it overcapitalization, if you please, instead of water.

Mr. PERKINS. That is it. It has always been spoken of in that way.

The CHAIRMAN. How much water was it considered that there was in the concern?

Mr. PERKINS. That was a matter of this, that, and the other man's opinion.

The CHAIRMAN. About how much percentage of the water in the concern would you have absorbed by $200,000,000 of bonds?

Mr. PERKINS. I do not consider there was any to absorb.

The CHAIRMAN. How much of the alleged water?

Mr. PERKINS. That was just a reference, I take it, to the common talk.

The CHAIRMAN. Did the executive committee do any of that talking?

Mr. PERKINS. No, sir; not to my recollection.

The CHAIRMAN. Why make that statement to them? They knew there was no water in the concern?

Mr. PERKINS. Well, I can give no further answer than I have, that that was a matter of common knowledge, that has been discussed by outsiders, that there was "water," for want of a better name.

The CHAIRMAN. Was anybody present of the outsiders at that meeting?

Mr. PERKINS. I presume not.

The CHAIRMAN. Why repeat on this page, in the solemn findings of your committee, and why tell them, that this was water, if there was no water?

Mr. PERKINS. I do not think I put it that way.

The CHAIRMAN. I will read it again:

If we got 40 per cent of the preferred stock in obligations maturing in 50 years, we would be creating a sinking fund for retiring what is considered some of the water in the concern.

Mr. PERKINS. Well, all I can say is what I have already said, that that was just a general reference to a criticism that was being made in regard to the company's capitalization.

The CHAIRMAN (continuing reading):

So far as the common stock is concerned, this is going to help it, because the earning capacity of the $50,000,000 would go toward the common stock. We have worked out a form of bond and are going to submit it to the board. I report this matter now, so we may talk over the plan if you desire. We propose to offer the whole thing to the preferred stockholders and let them vote on it.

Judge GARY. Will you extend the option to all stockholders? You will make an elastic bond so you can, if necessary, issue bonds in place of preferred stock.

Mr. PERKINS. No; we think that would be dangerous.

To whom?

Mr. PERKINS. Is that a question to me?

The CHAIRMAN. Yes.

Mr. PERKINS. I really do not know.

The CHAIRMAN (continuing reading):

We figured 40 per cent because we believe that $25,000,000 of second mortgage bonds would be considered very good; whereas if we called $500,000,000 of preferred stock, the universal criticism would be that the bonds are no better security than the stock.

Were they?

Mr. PERKINS. I think that would have been a fair criticism. We aimed to have the bond issue conservative.

The CHAIRMAN. Were the bonds any better than the stock?

Mr. PERKINS. Yes.

The CHAIRMAN. Why, then, would there be universal criticism that they were not? Why would everybody think that they were not?

Mr. PERKINS. If the amount had been too large, that would have been the criticism.

The CHAIRMAN. Ah! If I exchange $100 of gold certificates for $100 of gold coin, or if I offer to exchange a million dollars of gold certificates for a million dollars of gold coin, would there be any universal criticism?

Mr. PERKINS. No, sir; but if you exchanged a million dollars of gold certificates for $500,000 of some inferior currency. The parallel is not correct. We were simply creating a bond issue of a smaller amount than the preferred stock issue, and putting it ahead of the preferred stock.

The CHAIRMAN. Which was the inferior currency in this case, the stocks or the bonds?

Mr. PERKINS. The stock was the inferior.

The CHAIRMAN. And yet you were going to invite universal criticism by exchanging a better thing for a worse one?

Mr. PERKINS. No, sir. The statement, as I recollect it, is that if we were issuing as many bonds, as large an amount of bonds, for instance, 500,000,000 of bonds, for a corresponding amount, 500,000,000, of preferred stock, there would have been no advantage. But to create a bond issue of $250,000,000, which was about half the amount of the preferred stock, placing that loan ahead of the preferred stock, was an advantage.

The CHAIRMAN. All right. [Continuing reading:]

And if you pass the dividends on the preferred stock you would not be in the hands of a receiver, and if you passed the interest on the bonds you would be.

Mr. ROBERTS. Will the common stockholders be invited to subscribe to these bonds?

Mr. PERKINS. No. We thought that we ought not to be allowed to do that, because we have tried to see where the justice was. The preferred stockholders are entitled to as fair treatment as can be given them for giving up their 40 per cent of the stock and the common ought not to be allowed to take these bonds. Moreover, the common stockholders have benefited by the earning capacity of the $50,000,000 put into the improvements.

Mr. GARY. I think, offhand, it is a pretty good plan.

Mr. PERKINS. It puts us in a strong financial position and reduces our fixed charges.

Judge GARY. In some way we must raise some extra money. We must finance improvements that have been made and must be made in order to make our different plants symmetrical. We must have more money; and this seems to be a way to get it without increasing our fixed charges.

Do you remember that statement of Judge Gary's?

Mr. PERKINS. No, sir.

The CHAIRMAN. Now, Mr. Perkins, if you care to enter in the record any written statement on this rather remarkable utterance—to me—I would be delighted to read it, and I think the country will read it with great interest.

Mr. LINDABURY. Mr. Chairman, I do not like to be outdone by the chairman in his compliments to the newspaper reporters, and inasmuch as all the testimony just elicited is published in an evening paper, which is before me, it does seem to me that there has been a feat of reporting here that is unparalleled, and I want to make my acknowledgments to the press. I have followed in the newspaper word for word what you have read, and I find it published just as you read it, already in an evening paper, which is before me.

The CHAIRMAN. Well, I told you they were smart chaps.

Mr. LINDABURY. I know you did, and I must join in the tribute to them. I am a little disturbed by the fact that that book was submitted to the expert of the committee, however, with the understanding that it had nothing in it that was to be made public except before the committee.

The CHAIRMAN. I will take the full responsibility. I had prepared to ask Mr. Perkins about this matter, and for that reason, when some member of the press asked me if I was going to ask Mr. Perkins about the report, I handed him the report myself, telling him that, in a few words.

Mr. MACREA. I want to say that the expert of the committee has not given any word to the press in respect to this.

The CHAIRMAN. "Mea culpa, maxima culpa." I am like Roosevelt; I am responsible for it all. [Laughter.]

Mr. DANFORTH. Are we going to get Mr. Perkins's statement?

The CHAIRMAN. Yes; we will have it to-morrow morning. He can just file it.

Mr. DANFORTH. No; we want it read.

The CHAIRMAN. I will be glad to have it read. Mr. Perkins, if you prefer to do so, you can read that statement to-morrow morning.

Mr. PERKINS. Very good, sir; at your convenience. I think that will be very acceptable.

Mr. BARTLETT. There is one question I omitted to ask. The bonds that were exchanged for the Tennessee Coal & Iron stock were bonds that were at that time in the treasury of the Steel Corporation, were they not?

Mr. PERKINS. They were. Mr. Reed says that is quite correct, all but $5,000,000.

Mr. BARTLETT. All but $5,000,000?

Mr. PERKINS. Yes; they were in the treasury.

Mr. BARTLETT. They were not on the market except 5,000,000?

Mr. PERKINS. No; they were all in the treasury; is not that right?

Mr. REED. Yes.

Mr. BARTLETT. And 5,000,000 were on the market?

Mr. PERKINS. Yes.

Mr. BARTLETT. And the Tennessee Coal & Iron stock was then, I suppose, in the treasury of the Steel Corporation to take the place of these bonds so taken out?

Mr. PERKINS. I suppose, in effect, that was the result.

Mr. BARTLETT. That is all.

(At 5.20 o'clock p. m. the committee adjourned until to-morrow, Wednesday, August 9, 1911, at 10.30 o'clock a. m.)

No. 21

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

WEDNESDAY, AUGUST 9, 1911

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

UNITED STATES STEEL CORPORATION.

SPECIAL COMMITTEE ON THE INVESTIGATION
OF THE UNITED STATES STEEL CORPORATION,
HOUSE OF REPRESENTATIVES,
Wednesday, August 9, 1911.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

Mr. LITTLETON. In view of the fact that certain members of the committee present were not able to be here yesterday, I move that the committee go into executive session for the purpose of considering the questions which have arisen.

(Thereupon the committee proceeded to the consideration of executive business, after which it resumed its session.)

STATEMENT OF GEORGE W. PERKINS—Continued.

Mr. LITTLETON. Mr. Chairman, while I was absent yesterday the witness on the stand was asked a question as follows:

After your connection began with the United States Steel Corporation as a director, to what extent did you personally make contributions to political campaigns?

The objection which had theretofore been made was renewed and some discussion occurred, and a vote was taken by the committee upon the admissibility of the evidence sought and upon the legality of the question asked.

On my return, and when the question was brought before me as one of the members of this committee, I examined the resolution under which this committee was appointed, and after much discussion and consideration I made up my mind alone and upon my own responsibility that any inquiry of any witness before this committee as to his personal contributions to political campaigns was not admissible under the resolution under which this committee was appointed, unless it could be shown—and the widest scope for showing that should, of course, be allowed—that the contribution made by the person was thereafter reimbursed or directly or indirectly authorized, acquiesced in or consented to by the United States Steel Corporation.

I, therefore, desire, in this public session, to state my position for the benefit of the record and for such benefit as the public may derive from it—that my position upon the committee is now and will be, unless I am persuaded to the contrary, that inquiries with reference to personal contribution of individuals wholly unconnected with the concerns of which they are officers or directors, are not within the scope of the inquiry of this committee, and I therefore, upon consid-

eration of the question act, recorded myself and desire now to record myself publicly upon that question.

As to the question which was asked, and upon which the committee adjourned or took a suspension of time, the question is still pending, and Mr. Beall, who was conducting the inquiry at that point, will, under the direction of the chairman, continue the inquiry.

I desire my position upon this question to be distinctly and publicly and widely and emphatically known and to go upon this record. As to the other question, when it arises I shall treat with it as I do with every question that comes before me.

The CHAIRMAN. The question about which the chairman saw fit to admonish the witness touched his official as well as his personal relations. It is well known, admitted by the witness, that he did make contributions to campaign funds in large sums, as to which contributions there is no evidence that they were spread with any degree of voluminousness upon the records of the concern with which he was connected. An inquiry, then, as to the method by which the United States Steel Corporation kept its books with reference to this same practice, in the mind of the chairman, became relevant. Mr. Beall may and will exercise a wide discretion in the matter.

In the opinion of the chairman the question about which I admonished the witness is relevant and competent, to wit:

Mr. BEALL. Now, what difference was there, if any, in the way in which the United States Steel Corporation kept its records and the way in which the other big corporations, namely, the New York Life Insurance Co., with which you were connected, kept its records?

Should Mr. Beall insist upon an answer, the position of the Chair is not and will not be changed or altered in one jot or tittle, and he has not changed, has not altered, and will not change or alter his position, nor has he one word then said to retract or to qualify in the faintest degree.

You may proceed, Mr. Beall.

Mr. BEALL. Mr. Perkins, the question yesterday was this:

Now, what difference was there, if any, in the way in which the United States Steel Corporation kept its records and the way in which this other big corporation with which you were connected, meaning the New York Life Insurance Co., kept its records?

Mr. LINDABURY. Is that question repeated?

Mr. BEALL. That is the question asked yesterday.

Mr. LITTLETON. You have something to say about it on the repetition, Mr. Lindabury?

Mr. LINDABURY. As to that particular question, I object to it. If the committee please, I am as unalterable in my position with regard to that question as the distinguished chairman.

The CHAIRMAN. I do not doubt it.

Mr. LINDABURY. But I do not object, and I did not object yesterday, to any direct or proper inquiry as to contributions made by the United States Steel Corporation, directly or indirectly, in its own name, or through any officer or individual, nor, if such contributions were made, with the funds of an officer or an individual with the expectation of reimbursement, or whether any such contributions were in time repaid to the officer or individual who made them. So far I am perfectly willing that this witness shall be probed. But

I do object, and shall to the end object, to the situation being complicated in any way by an inquiry into the practice of the New York Life Insurance Co., or prejudiced or tied up in any way to or with those practices.

I have made some inquiry into this subject of campaign contributions by the United States Steel Corporation, and I find that it did make a contribution of $10,000 for campaign purposes in the year 1904. I do not know whether that contribution was to the national campaign or a State campaign, but there is a file in the office, which I recall having seen, which gives the whole transaction, and the papers show on their face that the payment was as a campaign contribution; and I will produce this to the committee as soon as I can communicate with the office in New York.

With this statement, I have only to say that I make no objection to the inquiry of the kind I mentioned of this witness as to any contributions he made on behalf of the corporation or at its instance or with its knowledge or for which he was reimbursed. I only draw the line at the New York Life Insurance Co. or any other corporation. I do not want to be convicted of any irregularity by reason of any irregularity that may or may not have been practiced by other corporations or their way of doing it.

Mr. BEALL. I understand you; and the very frank statement you have made obviates the necessity of pursuing this particular line of investigation further. I would like to ask you——

Mr. LINDABURY (interposing). I ought to add—I meant to add—that the file which I referred to did not have on it any authorization by this witness, or have his name, and I have no information at all that connects him with it, and I have never even mentioned the matter to this witness; so that I have no information at all that it ever came to the attention of this witness. I think I ought to say that in justice to him and his testimony given yesterday.

Mr. BEALL. I understand that in 1906 a resolution was passed forbidding any further contributions of this kind from the United States Steel Corporation?

Mr. LINDABURY. Denying any further contributions—forbidding the officers, if you choose to put it that way.

Mr. BEALL. I assume that since that resolution was passed no such contribution has been made.

Mr. LINDABURY. I think that is absolutely certain; and I do not believe any have been made since 1904.

Mr. BEALL. Would you accommodate the committee just a little further? Have an investigation made into that matter. Under your statement I feel sure you would not object to supplying the committee with any information as to any contributions that the records show to have been made by the corporation for these services.

Mr. LINDABURY. I should like to take that under consideration, but I think not. I am simply a representative here——

Mr. BEALL (interposing). I appreciate your position.

Mr. LINDABURY. I suppose I ought to consult others about it.

Mr. BEALL. I should be glad for you to take that matter up and see if that information can be supplied.

Mr. LINDABURY. I will take that up with the officers.

Mr. BEALL. The committee will be very grateful to you for it.

Mr. Perkins, did you ever make a contribution to a political campaign fund with any agreement on the part of the United States Steel Corporation that you would be reimbursed to the amount of that contribution?

Mr. PERKINS. No, sir.

Mr. BEALL. Did you ever make such contributions with a promise that you would be reimbursed?

Mr. PERKINS. No, sir; never.

Mr. LINDABURY. In whole or in part?

Mr. BEALL. In whole or in part?

Mr. PERKINS. No, sir.

Mr. BEALL. Did you ever make a contribution where you expected to be remibursed by the United States Steel Corporation, in whole or in part?

Mr. PERKINS. No, sir.

Mr. BEALL. Did you ever make such contribution where you were in fact reimbursed in whole or in part by the United States Steel Corporation?

Mr. PERKINS. No, sir.

Mr. BEALL. Or any person connected with it?

Mr. PERKINS. Nor on its behalf; no, sir.

Mr. BEALL. Have you any personal knowledge of the $10,000 transaction referred to by Mr. Lindabury?

Mr. PERKINS. So far as my memory goes, I never heard of it until he just this moment mentioned it.

Mr. BEALL. Or any other contribution by the United States Steel Corporation to political campaign funds?

Mr. PERKINS. No, sir.

Mr. BEALL. Yesterday afternoon you were asked some questions with regard to the Trust Co. of America. I understood from the statement that about Friday night, was it, October 26, Mr. Cortelyou was in New York and had a conference?

Mr. PERKINS. Mr. Cortelyou came over to New York on Tuesday afternoon, October 22.

Mr. BEALL. Can you give the date of a certain conference that was held with Mr. Cortelyou about the date preceding the time the run began on the Trust Co. of America? Do you know the date of that conference?

Mr. PERKINS. There was no such conference. The run on the Trust Co. of America began on Tuesday, October 22, the day on which the Knickerbocker closed, and it was partly because of the withdrawals on that date of the Trust Co. of America that Mr. Cortelyou was asked to come over to New York that afternoon. He arrived in New York about 8 or 9 o'clock that evening.

Mr. BEALL. To what extent was there at that time approaching the run on the Trust Co. of America?

Mr. PERKINS. There had been very heavy withdrawals all that day from the Trust Co. of America.

Mr. BEALL. Have you any recollection now as to the amount of those withdrawals that day?

Mr. PERKINS. Several million dollars. I do not remember the amounts. The books would show that, I should say.

Mr. BEALL. Do you remember meeting Mr. Thorne at the Union Club just previous to the time this run began?

Mr. PERKINS. No, sir; not especially at the Union Club. I remember meeting Mr. Thorne that afternoon.

Mr. BEALL. Do you remember asking Mr. Thorne the question as to how the Trust Co. of America was getting along and that he replied to you that everything was all right?

Mr. PERKINS. No, sir. I remember distinctly Mr. Thorne coming to see us and saying that he had had heavy withdrawals and must have assistance and being very much alarmed and disturbed that afternoon and evening over his condition.

Mr. BEALL. Do you recall a circumstance of a request being made of Mr. Thorne as to whether he would have any objections to a committee inspecting his records and going through his trust company to ascertain its condition?

Mr. PERKINS. That was suggested to Mr. Thorne after he had applied to us for assistance.

Mr. YOUNG. Whom do you mean by "us?"

Mr. PERKINS. Those of us who were in that afternoon conference trying to render any assistance and help we could to stop the rising tide of the panic.

Mr. BEALL. At the time that suggestion was made, was there any difference in the condition of the Trust Co. of America and the other trust companies in New York?

Mr. PERKINS. Yes, sir.

Mr. BEALL. As a matter of fact there was more or less withdrawal from practically all of them, was there not?

Mr. PERKINS. Not all of them; no, sir. The older trust companies, such as the United States and the Farmers' Loan and the Central, had no runs. Confidence in them had not in any way been impaired. The trust companies which were under more or less criticism at that time had been under criticism for weeks, and some of them for months, because of the kind of business they had been doing, which had made common talk not only in New York, but throughout the country, that they were entering a field which they ought not to be in, which was not a safe field.

Mr. BEALL. Who was it indulged in this talk, this criticism of trust companies having entered a field that it was considered they properly should not have entered?

Mr. PERKINS. People generally throughout the country.

Mr. BEALL. Did it come generally from the bankers?

Mr. PERKINS. It came from people who were familiar with the kind of business they were doing.

Mr. BEALL. Who were the people familiar with the kind of business they were doing? What was the particular class of people, if there was a particular class, which was familiar with what they were doing?

Mr. PERKINS. The people generally, the public generally, the depositors, men who were familiar with the kind of business the trust companies were undertaking.

Mr. BEALL. Who, in your judgment, would be most familiar with the kind of business those trust companies were undertaking?

Mr. PERKINS. People who were in any way familiar with investments.

Mr. BEALL. Did the bankers have any special opportunity to acquaint themselves with the kind of business they were doing?

Mr. PERKINS. No; the banks had no affiliations with the trust companies particularly.

Mr. BEALL. Did they have any opportunity for knowing what the companies were doing that were not open to everybody?

Mr. PERKINS. No.

Mr. BEALL. You think they did not have any special knowledge of the kind of business that was being done by the trust companies?

Mr. PERKINS. Not beyond what the people generally had.

Mr. BEALL. Were those trust companies, in any new or unusual way, coming into competition with the banks?

Mr. PERKINS. No, sir.

Mr. BEALL. You said something about a run or withdrawal of deposits of greater or less degree from certain companies that had been under suspicion. I understood you to say the suspicion was that they were engaged in business or in lines or undertakings that they ought not to engage in. When did this suspicion attach first, within your knowledge, to the Trust Co. of America?

Mr. PERKINS. I think in its acute form it attached Monday and Tuesday, October 21 and 22.

Mr. BEALL. That was about the time that the suggestion was made to or by Mr. Thorne that the committee inspect the affairs of the Trust Co. of America?

Mr. PERKINS. No, sir; I think that suggestion was made very late Tuesday afternoon, after banking hours.

Mr. BEALL. Late Tuesday afternoon or Tuesday night, within your knowledge, were any of the bankers in New York with Mr. Cortelyou?

Mr. PERKINS. They were Tuesday evening; yes, sir.

Mr. BEALL. Where was that conference held?

Mr. PERKINS. At the Manhattan Hotel.

Mr. BEALL. Could you indicate to us some of those who were present at that conference?

Mr. PERKINS. Yes, sir.

Mr. BEALL. Will you kindly do so?

Mr. PERKINS. Yes, sir; with pleasure. Mr. Morgan was there; Mr. Baker, Mr. Stillman, and, I think, Mr. Hepburn.

Mr. BEALL. What time did that conference end?

Mr. PERKINS. Pretty late.

Mr. BEALL. Was the condition of the Trust Co. of America under special consideration, or under discussion, during that conference?

Mr. PERKINS. Yes, sir.

Mr. BEALL. In what way? What was said, so far as you can recollect, in regard to the Trust Co. of America?

Mr. PERKINS. They had applied for help, and there was no trust company organization at that time. An effort had been made that afternoon, a hurried effort downtown, to get some of the trust company people together and form some organization for mutual protection, but that had failed. So Mr. Thorne had applied to us for help, told us of his condition, and said that he needed help the next day. The withdrawals had been so heavy he saw he would have to have help the next day.

Mr. BEALL. At that time there had been like requests from a good many other trust companies?

Mr. PERKINS. No, sir.

Mr. BEALL. Had not some of them failed at that time?

Mr. PERKINS. The Knickerbocker had failed that day. This panic was just starting then, you see.

Mr. BEALL. What time in the day had the Knickerbocker Co. failed?

Mr. PERKINS. I can not give the exact hour, but in the neighborhood of noon, I should think.

Mr. BEALL. What time did the trust companies close their doors for the day?

Mr. PERKINS. At 3 o'clock.

Mr. BARTLETT. The witness stated yesterday that the Heinze-Thomas-Morse banks were in a worried situation on October 20.

Mr. PERKINS. Yes, sir; I think on the 19th or 20th; but may I suggest that those were not trust companies? They were banks. The situation was very different. The banks' situation was one thing, and it headed up to a clearing house or association of banks which could get together and help each other. There was no such association for the trust companies. Every one of them stood alone.

On the following Wednesday, when, as I testified yesterday, Mr. Morgan had me go around among them, from trust company to trust company, and ask the president to come to his office for conference, and they consented to come, and they began to come in about half past 12, I was myself amazed to find that they did not know each other by sight, and I had to introduce the presidents of those trust companies to each other.

Mr. BEALL. That was on Wednesday?

Mr. PERKINS. That was on Wednesday.

Mr. BEALL. On that Tuesday afternoon or Tuesday evening conference the affairs of the Trust Co. of America were under consideration?

Mr. PERKINS. At the Tuesday evening conference; yes, sir.

Mr. BEALL. At which Mr. Cortelyou was present?

Mr. PERKINS. Yes, sir.

Mr. BEALL. You knew then that the situation was extremely delicate?

Mr. PERKINS. Yes, sir.

Mr. BEALL. You were at that time a member of the firm of J. P. Morgan & Co.?

Mr. PERKINS. Yes, sir.

Mr. BEALL. That firm was quite prominent in financial circles in New York?

Mr. PERKINS. Yes, sir.

Mr. BEALL. Did you leave that conference at the same time the other gentlemen left?

Mr. PERKINS. I can not recollect, of course, sir, as to that.

Mr. BEALL. After you left there, whom did you see first?

Mr. PERKINS. It would be very difficult to say.

Mr. BEALL. Did you have an interview with a newspaper reporter that evening?

Mr. PERKINS. I saw the newspaper men, I suppose, every night during the panicky times.

Mr. BEALL. Did you see them this particular night?

Mr. PERKINS. Yes, sir.

Mr. BEALL. What did you tell them?

Mr. PERKINS. I can not tell you what I told them. I gave them such information as I thought was proper to give, of a reassuring and helpful nature, naturally.

Mr. BEALL. Did you see the New York Times the next morning?

Mr. PERKINS. Yes, sir.

Mr. BEALL. Did you see the statement that appeared in that paper?

Mr. PERKINS. I do not recollect that I saw it then. My attention has been directed to it recently.

Mr. BEALL. Did you make that statement?

Mr. PERKINS. I made no statement such as the one you refer to, but I undoubtedly talked to the reporters, as I have said, about the conditions existing, and expressed such hopeful views as I thought were justified.

Mr. BEALL. Did you express any distress as to the outcome with regard to any particular financial institution?

Mr. PERKINS. Not the slightest.

Mr. BEALL. This statement reports you as saying:

> The chief sore point is the Trust Co. of America. The conferees feel the situation there is such that the company is sound.

Did you make that statement?

Mr. PERKINS. It has been stated since the panic that I made that statement, and I have taken occasion to look it up in other papers. I find that other newspapers refer to statements given that evening by other men who were in that conference, and no two of them agree; but they all tend toward the impression having been given out that the situation was sound and help would be extended where it was necessary.

Mr. BEALL. Immediately after that did you give any information that a like statement purporting to come from you was sent to the other newspapers at New York?

Mr. PERKINS. That night?

Mr. BEALL. Yes.

Mr. PERKINS. No, sir. I am sure there was no official statement given out by anyone that evening, save the one Mr. Cortelyou gave out himself.

Mr. BEALL. I do not know whether you quite exactly understand the question.

Mr. PERKINS. I beg your pardon.

Mr. BEALL. Immediately after that night, were you advised in any way that this statement purported to come from you that night went into other newspaper offices in the city of New York?

Mr. PERKINS. Was I so advised?

Mr. BEALL. Yes, sir.

Mr. PERKINS. No, sir; I never was so advised.

Mr. BEALL. And they refused to use it because of the tense situation there at that time?

Mr. PERKINS. No, sir; as a matter of fact they did use it.

Mr. BEALL. A statement like this?

Mr. PERKINS. Yes, sir; the newspapers used it.

Mr. BEALL. The statement that "the chief sore point is the Trust Co. of America"? They did not use that sort of a statement, did they?

Mr. PERKINS. I do not know about the exact wording, but words to that effect.

Mr. BEALL. That the Trust Co. of America was the chief sore point?

Mr. PERKINS. Yes, sir. Would it be proper to introduce other newspapers in evidence at this point?

Mr. BEALL. I would see no objection to it.

Mr. PERKINS. The New York World has been calling attention to the fact that I helped along with the panic, so I was able to get a copy of the New York World, of Wednesday morning, October 23. In the head lines it says:

Bankers will stand by Trust Co. of America.

In the body of the article it says:

A conference of bankers, who have been appealed to by the promoters of one or two trust companies, decided at an early hour this morning to assist the Trust Co. of America if they found it necessary, and to consider future applications of other trust companies if made. Oakleigh Thorne, the president of the Trust Co. of America, owns a controlling interest in the Georgia Central Railway and is active in other railway and industrial concerns. The Trust Co. of America has about $12,000,000 in its vaults—

With other references.

Mr. BEALL. Did it also state in the World that morning that the representatives of the Trust Co. of America made a frank and convincing statement of its condition to the gentlemen in the conference to satisfy them of its absolute solvency?

Mr. PERKINS. I have not read the entire article.

Mr. BEALL. That quotation occurs in the article on the situation of date, May 29.

Mr. PERKINS. Mr. Thorne did tell us very frankly about his condition and did everything to show us that his institution was worthy of help, and every possible help was rendered to Mr. Thorne, as was shown by the efforts of the next day, when the next day the run continued and became very acute and public, and Mr. Thorne called me up at J. P. Morgan & Co.'s quite frequently in the day and said they were down very low in cash and must have more help. We gathered together, as I have told you, the trust company presidents. Mr. Morgan went before them and told them that the money was being very rapidly withdrawn from the Trust Co. of America, and asked them to make up a fund to help it. They refused. He left the meeting and was called back into it, and made another plea and showed them, or tried to, where this would lead to, but it made no impression. Finally, he suggested that a fund of $3,000,000 be raised by them jointly, and Mr. Marsden, of the Farmers' Trust Co., was the only one to respond to that. Meanwhile Mr. Thorne was sending me word every few minutes that his cash was dwindling, dwindling, dwindling. I reported that to these gentlemen, but they took the position that such trust companies had been doing a business out of the field of trust companies, and they did not see why they, the regular trust companies, should come to their assistance.

That conference adjourned until a quarter after 3 simply to see what would become of the Trust Co. of America, which everybody believed would close. Then, as I testified yesterday, I believe, Mr. Morgan and Mr. Stillman and Mr. Baker, as three individual representatives of their concerns, although they were not interested in the Trust Co. of America at all, made up a fund and took some securities for the advance, and sent it down in a hurry to Mr. Thorne to keep

his trust company open until 3 o'clock. That evening, after 3 o'clock, we succeeded in inducing them to form an organization, of which Mr. King was chosen the president. They adjourned to meet uptown that evening. They met that evening, and after hours of discussion they could not get anywhere, and finally I went up to the Manhattan Hotel and saw Mr. Cortelyou, and asked him if it was not possible for the Government, which we knew could not help the trust companies, to deposit the money in the national banks, knowing that the national banks would take that money and let the weaker trust companies have it on approved good securities which the stronger trust companies would furnish to the national banks. Mr. Cortelyou agreed to that. I went back and reported that to the conference, and about midnight there were several trust companies' presidents signed a little memorandum agreeing to furnish the Trust Co. of America with $10,000,000 next morning on that plan, with the understanding they would get the currency from the Government and take that as security—that is, the banks would take such securities as good trust companies could furnish.

Next morning the $10,000,000 was furnished to Mr. Thorne, and it vanished like so much thin air during the day.

Mr. BEALL. The Trust Co. of America weathered the storm finally?

Mr. PERKINS. It weathered one storm after another simply by main strength of the other institutions in New York.

Mr. BEALL. Coming back to that Tuesday evening, the situation was very tense and very critical in New York at that time, was it not?

Mr. PERKINS. It certainly was.

Mr. BEALL. It was so that a word of suspicion directed against an institution coming from men in the financial world, in whom the people had confidence, was likely to precipitate a run?

Mr. PERKINS. Yes; anything—everything appeared to be done and, I believe, was done to inspire confidence and to stop the panicky feeling that was abroad and likely to accumulate.

Mr. BEALL. If, after that conference that evening, you did say to the newspaper men in so many words or in substance that the sore point of the situation was the Trust Co. of America, do you not think that was sufficient of itself to precipitate trouble upon the Trust Co. of America?

Mr. PERKINS. Of course, it would be impossible for me to say what words I used in the thousand and one interviews I had with reporters, but I am perfectly certain I never made any statement that was calculated to do anything but help the situation.

Mr. BEALL. Did you know Mr. Phillips, connected with the New York Times?

Mr. PERKINS. I knew him quite well.

Mr. BEALL. Do you recall Mr. Phillips being present at that particular interview?

Mr. PERKINS. Not at that particular interview, but at most of the interviews. He was a leading and much respected newspaper man in New York.

Mr. BEALL. In any interview do you recall the circumstance of Mr. Phillips saying to the other newspaper men, "Mr. Perkins is going to give out a statement," and then Mr. Phillips began reading it aloud?

Mr. PERKINS. No, sir.

Mr. BEALL. Do you know Mr. Johnson, of the New York American?

Mr. PERKINS. No, sir. I may know him, but I do not recall him by name.

Mr. BEALL. Do you remember a question being asked of Mr. Phillips by anybody in any of these interviews as to whether or not you could be quoted in what you said?

Mr. PERKINS. No, sir.

Mr. BEALL. Do you remember Mr. Phillips said, "Do not put it that way; just say it comes from one of those who was present at the night conference"?

Mr. PERKINS. No, sir.

Mr. BEALL. Do you know Charles H. Boynton, a broker, of New York?

Mr. PERKINS. Yes, sir; I do.

Mr. BEALL. Do you have a club there called the Lotus Club?

Mr. PERKINS. There is such a club; yes, sir.

Mr. BEALL. Do you know a Mr. Charles P. Norcroft?

Mr. PERKINS. No, sir.

Mr. BEALL. This statement says:

Mr. Boynton hurried back to the Lotus, and he was reading over the statement of Mr. Stanley, when Mr. Perkins came down the stairway, at the foot of which he was standing. It was then nearly 1.30 p. m. Mr. Boynton greeted Mr. Perkins and resumed reading the statement, saying to Mr. Perkins, "You will not be interested in hearing this." Perkins replied, "Yes; read it to me. I wish to see if I can recognize it." Mr. Perkins listened to the reading and made no dissent or correction.

Is that statement true?

Mr. PERKINS. I have no such recollection.

Mr. BEALL. Do you think you would remember an occurrence of that kind?

Mr. PERKINS. No, sir; I would not; I would not think I would.

Mr. BEALL. You would not think you would remember hearing a man read what purported to be an interview from you upon the financial situation, as critical as it was at that time, that contained a statement that "the chief sore point is the Trust Co. of America"?

Mr. PERKINS. Mr. Beall, if you will look up other newspapers of that morning, as I have since this matter has been talked about, you will find that most of them refer in some way to the Trust Co. of America, to the fact that a statement was made by somebody, and the statements are all worded differently. Some are worded as you read and some are worded in other words.

Mr. BEALL. Did you ever hear that this statement in this form was sent to different newspaper offices in the city of New York, and that they, or many of them, refused to use it as a statement coming from you, or as an interview with you, but contained in their morning edition some statement in regard to the Trust Co. of America——

Mr. PERKINS (interrupting). Mr. Beall, there never——

Mr. BEALL (continuing). Putting the best face on it and the best phase of it forward as possible?

Mr. PERKINS. Mr. Beall, there never was any reference to that statement at that time or in the immediate days following that time. It never entered anybody's mind that I or anybody else had done anything except to help. It was not in any such sense regarded at that time.

Mr. BEALL. Do you know anything that purported to be an interview with you that was given that night to the Associated Press and refused by the Associated Press?

Mr. PERKINS. I do not; no, sir.

Mr. BEALL. Do you know Melville E. Stone?

Mr. PERKINS. Yes, sir.

Mr. BEALL. Did you ever have an interview with Mr. Stone in regard to this purported interview with you?

Mr. PERKINS. That evening?

Mr. BEALL. Well, at any time; I do not know the exact time.

Mr. PERKINS. I saw Mr. Stone very frequently during those days, as I did, so far as I could, most men connected with newspaper work. It was important that they be informed.

Mr. BEALL. What position did Mr. Stone occupy at that time?

Mr. PERKINS. One of the chief officers of the Associated Press.

Mr. BEALL. That newspaper article—and I am not vouching for it, because I do not know whether it is true or not——

Mr. PERKINS (interposing). I appreciate that, Mr. Beall.

Mr. BEALL. I simply want to call your attention to these things and find out what you have to say about them.

Mr. PERKINS. I appreciate that.

Mr. BEALL. Mr. Stone was the head of the Associated Press?

Mr. PERKINS. Yes; one of the chief officers.

Mr. BEALL. He was one of the chief officers of the Associated Press?

Mr. PERKINS. Yes.

Mr. BEALL. In that conversation with Mr. Stone, whenever it did occur—and I do not know when it is supposed to have occurred—the statement here is made that you admitted the authorship of the statement and sought to justify it on the ground that "the condition was so strained that if public attention had not been centered on the Knickerbocker Trust Co. and the Trust Co. of America every bank in New York would have been involved."

Mr. PERKINS. I saw that statement when it appeared in the paper, and it is absolutely erroneous.

Mr. BEALL. Did you have any conversation with Mr. Stone that was in substance that or approaching that or in that line?

Mr. PERKINS. You refer now to the matter of in the line of justifying?

Mr. BEALL. Yes; or in regard to this reported interview with you.

Mr. PERKINS. As I have said, I talked with Mr. Stone all through that panic, but that I could have ever said anything in the nature of justifying an action that I never took would of course be impossible.

Mr. BEALL. Did you have any conversation with Mr. Stone in regard to the appearance of this purported interview with you?

Mr. PERKINS. At that time; no, sir.

Mr. BEALL. On Wednesday?

Mr. PERKINS. No, sir. As I have said, there never was any reference or anybody with an imagination who referred to that Times article until long after the panic.

Mr. GARDNER. How long after?

Mr. PERKINS. Weeks or months. The only person that could have been involved in this would have been the Trust Co. of America, would it not?

Mr. BEALL. It would seem that would be the first company that would be involved.

Mr. PERKINS. That very evening Mr. Thorne was in conference with us. The State bank examiner had been in there and had examined his bank, and that very same New York Times article contained a report from him as to the condition of the Trust Co. of America. Mr. Thorne was anxious to have something known of the support he could get as to the actual intrinsic position of his trust company. He was quite right about it, and he should have done it. The next morning, and all through that day, Mr. Thorne was in constant touch with me personally, and my associates, too, as to the Trust Co. of America, and no such thing ever entered anybody's mind as that anything had been said to anybody that night or any other time that could in any way have injured him.

Mr. BEALL. This committee that was appointed to investigate the condition of the Trust Co. of America—do you know whether it reported there to make that examination next day or not?

Mr. PERKINS. I do not recollect. There was great confusion after that night.

Mr. BEALL. Do you remember on Wednesday, the day following the night of this conference, and the day upon which this purported interview appeared in the New York Times, whether there was or not a very great run on the Trust Co. of America?

Mr. PERKINS. Well, on Wednesday, which was October 23, runs started on the Trust Co. of America and on many other institutions. The panic by that time was under full swing. The run on the Trust Co. of America had continued. It had been in strong evidence on Tuesday, as I have already testified. It was the conference that evening that enabled us to begin to get ready for the general confusion that followed.

Mr. BEALL. But this run on the Trust Co. of America on Wednesday was greatly intensified?

Mr. PERKINS. Over Tuesday?

Mr. BEALL. Yes.

Mr. PERKINS. Only as runs on financial institutions, as they continue, usually gather momentum.

Mr. BEALL. Do you have any opinion as to the amount of withdrawals from the Trust Co. of America on Tuesday?

Mr. PERKINS. No, sir; but they were heavy.

Mr. BEALL. Was there a report made to that conference that night as to the amount of the withdrawals?

Mr. PERKINS. A report was made Tuesday night as to the amount of withdrawals that day. Then this statement you refer to appeared on Wednesday morning in the papers. The run continued that day, and it was that Wednesday that I have already described, during which Mr. Thorne kept coming to us for help, when the trust companies refused to help him, and Mr. Morgan and Mr. Baker and Mr. Stillman, in their own capacities, outside of the trust companies, did help him and kept him open until 3 o'clock. That night, with Mr. Cortelyou's help, a fund of $10,000,000 was raised and given to him on Thursday morning.

Mr. BEALL. There is just one other matter I want to ask about a little bit and that is that bond conversion.

Mr. PERKINS. Yes, sir.

Mr. BEALL. What financial concern was involved and had charge of this bond conversion?

Mr. PERKINS. You refer now to the plan of converting the preferred stock into bonds?

Mr. BEALL. Yes.

Mr. PERKINS. J. P. Morgan & Co.

Mr. BEALL. You were a member of that firm at that time?

Mr. PERKINS. Yes, sir.

Mr. BEALL. And you were also a director in the United States Steel Corporation at that time?

Mr. PERKINS. I was.

Mr. BEALL. I believe the minutes show that that plan was suggested by you?

Mr. PERKINS. It was.

Mr. BEALL. Did you have any voice in selecting the financial agent through which or through whom this deal was to be consummated?

Mr. PERKINS. No, sir. J. P. Morgan & Co. were the official financial agents of the Steel Corporation at that time.

Mr. BEALL. Mr. Morgan was at that time also a director in the United States Steel Corporation?

Mr. PERKINS. He was.

Mr. BEALL. You had out, I believe, about $500,000,000 worth of this preferred stock?

Mr. PERKINS. I think that is approximately correct.

Mr. BEALL. It was 7 per cent stock?

Mr. PERKINS. Yes, sir.

Mr. BEALL. Dividend accumulative?

Mr. PERKINS. Yes, sir.

Mr. BEALL. That stock had been on the stock exchange, had it not?

Mr. PERKINS. It had.

Mr. BEALL. It was in the hands of a great multitude of people?

Mr. PERKINS. No, sir; not at that time. It was just beginning to be distributed.

Mr. BEALL. It had been distributed to some extent?

Mr. PERKINS. It had been distributed to some extent; yes, but not as much as at present.

Mr. BEALL. Your plan was to inaugurate a scheme by which $250,000,000 of this preferred stock should be retired and that quantity of bonds issued in its place?

Mr. LINDABURY. Two hundred million dollars of stock.

Mr. BEALL. Yes; $200,000,000 of preferred stock should be retired?

Mr. PERKINS. Yes, sir.

Mr. BEALL. And $250,000,000 of bonds exchanged for that stock?

Mr. PERKINS. Yes, sir.

Mr. BEALL. I suppose you expected to exchange $200,000,000 of bonds for the $200,000,000 of stock and sell the other $50,000,000 of bonds; is that it?

Mr. PERKINS. In the many courtesies which the chairman of the committee extended to me yesterday one was that I might read today a statement of just exactly what that plan was and what I suggested and what was done. It was a very important matter to the Steel Corporation. It was a very large transaction, and as I thought it might be gone into I took pains to prepare a statement in simple language as to just what was done.

Mr. BEALL. I have not very many questions to ask. If you would not mind deferring that statement now until I have finished the questions I have to ask I am sure the committee will then be very glad to have it.

Mr. PERKINS. Thank you very much.

Mr. BEALL. As I understand it, you exchanged $200,000,000 of preferred stock for $200,000,000 of bonds?

Mr. PERKINS. Yes, sir.

Mr. BEALL. And you expected them to sell $50,000,000 of bonds?

Mr. PERKINS. Yes, sir.

Mr. BEALL. You expected to get cash for them?

Mr. PERKINS. Yes, sir.

Mr. BEALL. You expected to sell those bonds at about par?

Mr. PERKINS. Approximately; yes, sir.

Mr. BEALL. If these holders of the stock had retained the stock, your corporation was under obligation to pay them a dividend of 7 per cent on that stock?

Mr. PERKINS. Yes, sir.

Mr. BEALL. Which would have made $14,000,000 a year on the $200,000,000 of stock?

Mr. PERKINS. And that was a cumulative charge.

Mr. BEALL. Under this other plan, the bonds would draw interest only at 5 per cent?

Mr. PERKINS. Yes, sir.

Mr. BEALL. And the charge for the interest on the bonds, on $250,000,000 of bonds, would amount to only $12,500,000 a year?

Mr. PERKINS. That is right.

Mr. BEALL. Under that plan your annual charge would be reduced to the extent of $1,500,000?

Mr. PERKINS. That is quite right, sir.

Mr. BEALL. And in addition to that advantage to the corporation, you expected to have $50,000,000 in actual money?

Mr. PERKINS. Approximately.

Mr. BEALL. Approximately $50,000,000?

Mr. PERKINS. Yes.

Mr. BEALL. That you considered was just so much to the good, so much velvet, in other words?

Mr. PERKINS. No, sir; if you will pardon me. I thought it was a very much better financial plan for the corporation than the one existing.

Mr. BEALL. As I understood the minutes, there was some such expression used as this, that you would have $50,000,000 that did not cost you anything.

Mr. PERKINS. That was true in this sense, that it did not cost anything more in the way of annual charge for interest or dividends. You see, the preferred stock carried a cumulative dividend. So that if the time had ever come when we would not pay a preferred dividend, it was going to accumulate against us anyway, and we would have had it to pay some time. If that had not been a cumulative dividend on the preferred stock it might have been a fair question as to whether we were doing a conservative thing or not.

Mr. BEALL. Anyway, if the plan worked out you would have had approximately $50,000,000 in cash that, so far as that particular time

was concerned, did not cost you anything; of course, ultimately you would have to pay?

Mr. PERKINS. We would have had $250,000,000 of securities at 5 per cent in lieu of $200,000,000 of securities at 7 per cent.

Mr. BEALL. But that sort of a transaction gave you $50,000,000 in cash that you needed at that particular time?

Mr. PERKINS. Quite right, sir.

Mr. BEALL. In order to make this exchange in those amounts, it appears you would have to select a time when the preferred stock was below par?

Mr. PERKINS. Yes, sir.

Mr. BEALL. That made it a necessity for the Steel Corporation to try to depress the price of their own stock, did it not?

Mr. PERKINS. Mr. Beall, I can see how that might be suggested to a mind, but there was absolutely nothing of that sort in anyone's mind at that time.

Mr. BEALL. Did you call those bonds gold bonds?

Mr. PERKINS. I do not remember the technical name.

Mr. BEALL. Do you know whether they were gold bonds or not?

Mr. PERKINS. I really do not. Perhaps some one here can tell—one of the gentlemen from the office says they were.

Mr. BEALL. Do you think it quite fair to your stockholders, to the people who had invested in that preferred stock, that had yielded them a divident of 7 per cent annually, to inaugurate this plan through which it was expected to divest them of $200,000,000 of 7 per cent stock and to give them in return $200,000,000 of 5 per cent second-mortgage bonds?

Mr. PERKINS. My answer to that is that it was a voluntary suggestion, left entirely to them to accept or not, as they saw fit. They accepted it. Subsequently the question was attacked by some preferred and some common stock holders. It went to the courts, to the highest courts in New Jersey, and was decided in favor of the company.

Mr. LINDABURY. And because it was purely optional.

Mr. GARDNER. In other words, the stockholder need not give up his stock unless he wanted to?

Mr. PERKINS. Not at all. It was offered to them to exchange or reject.

Mr. GARDNER. It gave him better security, and he could take it if he wanted to?

Mr. PERKINS. Yes, sir.

Mr. LINDABURY. That is the ground on which it was sustained in the courts.

Mr. STERLING. What inducement was there to the stockholder to give up 7 per cent stock for a 5 per cent bond?

Mr. PERKINS. Simply the better security that he had, and a great many people had preferred stock and were willing to exchange some of it for bonds, giving them two kinds of securities, some bonds, and some preferred stock. Of course a great many did not do it and did not wish to, and they did not have to.

Mr. BEALL. Did you not encourage them in carrying out the plan, and was it not your purpose to encourage the holders of this stock, so far as you could, to make the exchange?

Mr. PERKINS. The corporation encouraged them in the allowance they made to the syndicate which put the transaction through. They were allowed a commission for making the exchange.

Mr. BEALL. How much commission was paid to J. P. Morgan & Co.?

Mr. PERKINS. Pardon me again—that is all in my statement, and if I may read it, then I know I will have it just right.

Mr. BARTLETT. You say 5 per cent bonds were a lien upon your property?

Mr. PERKINS. Yes, sir.

Mr. BARTLETT. And the stock was not?

Mr. PERKINS. That is right.

Mr. DANFORTH. The $200,000,000 were put ahead of the remaining stock?

Mr. PERKINS. Yes, sir.

Mr. DANFORTH. And if a man wanted to accept the secured bonds at 5 per cent, he had the option of doing so, and giving up the larger interest which the preferred stock carried?

Mr. PERKINS. The larger dividend; yes. That is quite right, sir.

Mr. DANFORTH. Suppose we have that statement read, Mr. Chairman, and then we can ask questions more intelligently.

Mr. PERKINS. Shall I read this, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. PERKINS (reading):

Shortly after the organization of the United States Steel Corporation an investigation as to the extent, condition, capacity, and needs of its several properties was begun by the executive and finance committees. Both the executive and finance committees have worked constantly to reorganize and readjust the business of the several subsidiary companies in order to make them work together more harmoniously and economically and with the closest cooperation, so that the stockholders might secure, as promptly as possible, the benefit of the savings from cooperative management, which savings the organizers of the Steel Corporation felt confident could be effected.

After a year's close application to these problems, and after substantial economies had been realized, the executive committee brought to the attention of the finance committee the advisability of providing about $40,000,000 of cash, to be used in improving and extending the various plants of the subsidiary companies and reimbursing and capitalizing between $15,000,000 and $20,000,000 which had been expended for purchases and construction of various kinds undertaken by the subsidiary companies just prior to the organization of the Steel Corporation. The subject was considered for many weeks.

The members of both committees became convinced that the expenditure of this new money would not only tend to strengthen permanently the existing earning capacities, but would increase the net profits not less than $10,000,000 a year. This was the lowest estimate of the probable increased profits that anyone made, but some of the officers of the corporation advised that in their opinion such increase would equal $20,000,000 a year.

The problem of raising the funds for these expenditures presented serious difficulties. The corporation at that time had a cash surplus in its treasury of about $50,000,000. The question was whether it was prudent for the corporation to enter into obligations to expend so large a sum of money and provide the funds out of the surplus on hand or profits that might be earned. The corporation was doing a business of over $400,000,000 per annum on practically a cash basis. If business became depressed and financial stringency delayed or prevented sales or collections, it might not be possible to keep the business of the corporation on a strictly cash basis, as we desired. Even if sales continued collections would be slow. With a business of such great magnitude, therefore, it was essential constantly to have on hand and maintain a very large cash surplus in order that the corporation to a large extent might act as its own banker and avoid the danger of being crippled, even temporarily, by reason of any tightness in the money markets. It could not with any reasonable degree of business prudence be wholly dependent at any time on its borrowing capacity for current cash requirements.

The annual pay rolls for wages of employees was over $100,000,000, and its other expenditures for materials, supplies, etc., amounted in addition to over

$150,000,000. If the corporation should ever need to borrow money, it would need, not one million or five million dollars but twenty or thirty million dollars. Such a need might arise at a time of business depression or financial stringency, and it would then be impossible to borrow such a large sum of money, even on the best of credit, on any terms. The finance committee, therefore, determined that the corporation could not take this risk or use any part of the cash on hand wih which to pay for the improvements that had to be contracted for immediately if the plants were to be put in position to meet existing demands, and that the funds would have to be raised or provided either by the issue and sale of preferred stock or by borrowing on notes or bonds.

The preferred stock of the Steel Corporation was then selling at about 90, and under the law it could only be issued at par for money or its equivalent in property. This would, moreover, have been a most expensive way to provide the money, because, had we sold 50,000,000 of preferred stock at 90, we would have received for it but $45,000,000, and the transaction would have cost a discount of $5,000,000 the first year. It would also have cost each year thereafter 7 per cent cumulative dividends on $50,000,000, which is $3,500,000 a year. The first year, therefore, it would have cost $8,500,000, and in the next 14 years it would have cost 14 times $3,500,000, or $49,000,000, which, added to the $8,500,000 paid out in the first year, would have made a total cost of $57,500,000 in 15 years, and, after the fifteenth year, a cumulative dividend charge of $3,500,000 per annum in perpetuity ahead of the common stock.

The next method considered was that of issuing $50,000,000 of second-mortgage bonds. The reason that ruled against second-mortgage bonds as a separate issue is substantially the same reason that ruled against the sale of preferred stock, viz, if we had issued $50,000,000 of second mortgage 5 per cent bonds, we would have been fortunate to sell them at 95 when 7 per cent cumulative preferred stock was selling at 90, and we would increase the charge ahead of the stocks. It was finally determined that the most economical and advantageous plan was to create and issue $250,000,000 face value of second-mortgage bonds and use the bonds or their proceeds, first, in procuring the necessary cash requirements, and, secondly, in purchasing and retiring $200,000,000 par value of the outstanding 7 per cent cumulative preferred stock. The retirement of this stock would save $14,000,000 per annum of the cumulative dividend charge, and this sum would not only provide the interest upon the whole issue of new bonds, but leave a surplus of $1,500,000 per annum, which would be sufficient to provide a sinking fund for the payment at or before maturity of the bonds and leave, besides, $450,0000 per annum, net, applicable to dividends on the common stock. In other words, the plan enabled the corporation to procure the new capital without increasing its annual outgo for interest and cumulative preferred dividends and, in addition, provided for the reduction of its capital stock, which would enure greatly to the benefit of the remaining preferred and all the common stock.

In addition it was seen that if the $50,000,000 of new money earned the lowest estimate placed on it by any of the Steel Corporation's engineers and officials, viz, $10,000,000 a year, such earnings would of themselves nearly provide the whole interest on the second-mortgage bond issue of $250,000,000.

It was provided in the plan that there should be a sinking fund, set aside each year, of the exact amount necessary, at 4 per cent compound interest, to retire the whole $250,000,000 of bonds in 60 years. As the corporation's first-mortgage bonds are being retired by a sinking fund to run 50 years, the corporation would, in 60 years, if the new plan were adopted, be left with no bond issue whatsoever, and with but three hundred millions of preferred stock and five hundred millions of common stock outstanding against the present capitalization of over $1,400,000,000.

The Finance Committee was of opinion that the immediate effect of a proposition to withdraw from the market and retire 40 per cent of the corporation's preferred stock would be to appreciate the value of the preferred stock, and that such market value, if above par or above what the new second-mortgage 5 per cent bonds might be quoted at, would defeat the plan and prevent any subscription by stockholders. To go into the open market and purchase preferred stock for retirement would have been a mere gamble and would have resulted in great inequalities, besides being certain to appreciate the market value while the purchases were being made.

It became evident, finally, that the only way that the stock could be taken up was by organizing a syndicate which would undertake to guarantee absolutely the whole or a large portion of preferred stock and cash and deposit the stock with some custodian and hold it until the plan could be carried through. It

was recognized that it would be difficult to get men to do this, because of the risk involved and the necessity for locking up so large a sum of money for a long period of time. It was considered that it might take from a year to a year and a half to carry through such a plan in such a large corporation, with thousands of stockholders scattered all over the world. Men had to be found who would buy or furnish preferred stock under an agreement that would permit of its being locked up, beyond their power to sell, for a year and a half, and it was finally found impossible to secure a pledge of the entire $200,000,000 of preferred stock, but that the best that could be done was to organize a syndicate that would agree to the following, viz:

First. Purchase and lodge with J. P. Morgan & Co. $80,000,000 of preferred stock.

Second. Agree to exchange all of this or only 40 per cent of it, at the option of the Steel Corporation, for second-mortgage bonds.

Third. Take second-mortgage bonds from the Steel Corporation at par in exchange for $20,000,000 in cash.

For this the Steel Corporation was to allow said syndicate 4 per cent commission on all the bonds it took in exchange for stock, and 4 per cent commission on all the bonds it took at par for cash, so that if the transaction stood in the end in that form, viz, if $80,000,000 of bonds were issued for stock and $20,000,000 of bonds were issued for cash, the Steel Corporation would have paid to the syndicate 4 per cent on $100,000,000, or $4,000,000, and J. P. Morgan & Co. would have received for guaranteeing the whole $100,000,000, for handling the syndicate and the securities, and for finding a market on behalf of the syndicate one-fifth of $4,000,000, or $800,000. The contract, moreover, was made subject to the approval of the stockholders.

The Steel Corporation reserved the right to offer to every preferred stockholder in the corporation the option to subscribe for these new bonds to the extent of 40 per cent of his preferred stock.

In view of the fact that the Steel Corporation had made this contract with the syndicate, if every preferred stockholder exercised his right and took 40 per cent of bonds in exchange for his stock, the syndicate would be placed in the position where it would only get $32,000,000 of its $80,000,000 of preferred stock converted into bonds and would be left with $48,000,000 of preferred stock on its hands, although it pledged itself to tie up this $80,000,000 of stock for eighteen months and could not sell it or in any way dispose of it, no matter what became of the price of the stock or what became of business conditions in the country or how much any syndicate subscriber might need the funds. In consideration of all this risk, the syndicate was given the right to receive a commission of 4 per cent on such bonds as were issued to preferred stockholders not members of the syndicate. The $10,000,000 maximum to the syndicate can only be received by it, provided the entire transaction of purchasing $200,000,000 of preferred stock and retiring it, and then issuing and placing on the market $250,000,000 of second-mortgage bonds at par, is completed and consummated.

It is true that the money could have been raised by stopping dividends on the preferred and common stock for one year, or on the common stock alone for two years and a half. This course was deemed unfair to the stockholders, and particularly to the holders of common stock, which stock was held by thousands of small holders, and which in many cases had been taken in exchange for stock of other companies which were paying dividends. There was a moral obligation on the part of the directors of the Steel Corporation to pay these people a reasonable dividend on the common stock if it should be found that it was being earned. This stock was taken by people in the belief that the directors of the Steel Corporation would make good their expectation that great economies could be effected in the handling of the business on the cooperative management plan, and that these economies would inure to the benefit of the stockholders through dividends. When, after the companies were all brought together, the finance committee found that the organizers of the Steel Corporation had not overvalued the various properties, but that they were, in the form in which they were held by the Steel Corporation, worth the face value of all the Steel Corporation's outstanding bonds and stocks, and when it was found that the common stock was easily earning substantial dividends, there was but one fair thing to do, viz, to commence paying a reasonable dividend on that stock.

When, later on, it was found that new money could be used in coordinating and improving the plants and used in such a way as to make it earn at least $10,000,000 a year for both the preferred and common stockholders, the proper

business course to follow was to provide this money on the very best terms possible which might be found to be just and equitable alike to all stockholders, and not stop the payment of dividends to people who were probably in innumerable instances depending upon income upon their investment in our stock for their support.

Thank you very much, Mr. Chairman.

Mr. LINDABURY. Mr. Chairman, may I be permitted to introduce into this record the opinion of the court of errors and appeals of New Jersey reviewing and approving this plan? I think it would be very helpful to the committee. I will produce it and have it go in, if you will permit me.

The CHAIRMAN. Yes.

Mr. LINDABURY. Will you not permit me further to say—and if you require it I will produce the evidence—that I had to do with this plan enough to know that it was approved by over 90 per cent of the stockholders at a meeting regularly called, and disapproved of by only a very small fraction of 1 per cent. That is, that there was an affirmative approval.

The CHAIRMAN. Was there a resolution formally adopted?

Mr. LINDABURY. The opinion of the court of errors and appeals shows that. It was approved of by over 98 per cent of the stockholders.

The CHAIRMAN. If there is a formal resolution of your corporation in reference to this matter, as far as the chairman is concerned, he would be glad to have it incorporated in the record.

Mr. LINDABURY. I think it is fair.

The CHAIRMAN. How voluminous is the opinion?

Mr. LINDABURY. Only three or four printed pages.

The CHAIRMAN. The record will show that the opinion is incorporated at the suggestion of Mr. Lindabury. It will be so ordered, unless there is objection on the part of the committee. Without objection, the committee will stand adjourned.

Mr. STERLING. Before you adjourn, Mr. Chairman, I have a letter here from the La Crosse Plow Co. to Representative John J. Esch, with reference to the Townsend report, which was introduced in evidence recently. I would like to have it go into the record.

The CHAIRMAN. Certainly.

Mr. STERLING. He corrects some statements which appeared in the newspapers. This letter is from the La Crosse Plow Co.

Mr. LINDABURY. He corrects some statements in the Townsend report?

Mr. STERLING. He corrects some statements in the newspapers, or denies some statements.

Mr. LINDABURY. Some statements that may or may not be accurately reported from the Townsend report.

Mr. STERLING. Yes. I think it ought to go into the record.

Mr. DANFORTH. Who writes the letter?

Mr. STERLING. The La Crosse Plow Co., by Mr. Dickinson, who, I believe, is the secretary of the company. It is written to John J. Esch, a Member of Congress.

The CHAIRMAN. Unless there is objection on the part of the committee, the chair is perfectly willing that it be incorporated in the record.

Mr. LINDABURY. Will you not have it read, so that we can see what it is?

Mr. STERLING. Yes.

Mr. YOUNG. I will read it, if nobody else cares to [reading]:

LA CROSSE PLOW CO.,
La Crosse, Wis., July 27, 1911.

Hon. J. J. ESCH,
Washington, D. C.

DEAR SIR: I noticed in the papers yesterday that it is alleged a report of the Townsend committee reiterates the charge that goods of the International Harvester Co. are sold for less money abroad than they are in the United States. This report was alluded to as having been referred to the investigating committee, alleging also that the stockholders of the United States Steel Co. are stockholders of the International Harvester Co. and that rebates have been made to the International Harvester Co. of $3 a ton on iron and steel used in the export business.

Now, as there are unscrupulous politicians that would make use of such assertions to "throw mud" on all manufacturers of agricultural machinery without any discrimination whatever, I wish to repeat my assertion, made several times, that there is absolutely no trust nor anything partaking of the nature of a trust among the agricultural implement makers of the United States, and that such manufacturers are not selling their machinery for less abroad than they do at home.

The fact that such a rebate has been offered is a most excellent argument to show that there is unquestionably a fictitious price in the market for steel and iron in the United States, but I think you would find on investigation that it is not an uncommon practice for the Steel Co. to make rebates to factories doing an export business so as to put the raw material somewhere near approximately on the basis of the foreign price on the same raw material. Never having had the benefit of such allowances ourselves we are not in position to state this positively.

But even then, the assertion in regard to selling cheaper abroad than they do at home should be weighed with a great deal of care.

When it is remembered that all goods shipped over the ocean have to be completely boxed, boxing lumber paid for, and the freight on the boxing as well as on the contents of the boxes paid to New York City or the shipping port, it will be seen that any advantage in the way of a rebate would be largely if not wholly overcome by the cost of the boxing and the freight on the same. And the same fact is true of the goods shipped by all exporters of United States-made machinery. The fact that a given tool might be sold cheaper to a foreign buyer at Chicago than to a domestic buyer, as stated, is absolutely no proof that the foreign buyer gets his goods cheaper than the American buyer on that naked statement of facts.

We are not in any sense connected with the International Harvester Co., being active competitors of theirs, and have no apology for any of their reprehensible matters. But to cry "trust" and distort facts in an effort to prove a trust is of course reprehensible. While active competitors of the International, we know enough of the business in the United States by reason of such competition to know that they sell the dealer sometimes, but mostly direct to the consumer, and their foreign trade is largely sold to large jobbing agencies, and if they make commensurately lower prices to such jobbing agencies than to their United States trade, not jobbing agencies, it would only be what every manufacturer of goods does with this trade.

Yours, truly.

LA CROSSE PLOW CO.
DICKINSON.

P. S.—I see that in yesterday (Thursday) morning's Chicago Tribune, Mr. Funk of the International Harvester Co. emphatically denies selling abroad cheaper than at home, and says he has demonstrated it many times.

Mr. LINDABURY. I do not want this to be closed without pursuing the charge openly made that the Steel Corporation gives a rebate of $3 to the Agricultural Co. I take it you will follow that up by inquiry.

The CHAIRMAN. I wish to say that there is no such thing as the "Townsend committee"; that Mr. Townsend is an Assistant Attorney General of the United States, then and now in the employ and in the confidence of the Federal Government; and that if Mr. Town-

send will furnish this gentleman's picture along with his letter I will have it put in the record at my own expense.

Mr. BARTLETT. I have no objection to the letter going into the record, but we are swearing everybody who appears before us as a witness, and it appears to me that the statement——

Mr. STERLING. The Townsend report was not sworn to.

Mr. BARTLETT. It was the statement of a sworn officer of the Government.

Mr. STERLING. Oh, well, it does not make any difference.

Mr. LINDABURY. I would be obliged, if permitted, to state, with reference to the alleged rebate, that while the United States Steel Corporation does make an allowance of $3, or some such amount, to the Harvester Co. on purchases to be used in the manufacture of export articles——

Mr. REED. $1.

Mr. LINDABURY. $1, I am informed—it makes the same allowance to every other purchaser for a similar use; and not only does it do it, but every other manufacturer of steel makes the same allowance. It is to balance the drawback which the Government allows on imported steel. What I mean now is that they do that with everybody, exactly the same, and every other manufacturer of steel does and always has done the same thing.

Mr. STERLING. You mean that they give that rebate to all exporters of steel manufactures?

Mr. LINDABURY. To all purchasers of steel to be used in the manufacture of articles for export—to balance the Government rebate. You know if a manufacturer buys steel abroad and makes it up into the finished article and then exports that article he gets a drawback from the Government. This is to balance that.

Mr. STERLING. And you say that not only does the United States Steel Corporation do that, but also all manufacturers of steel and iron?

Mr. LINDABURY. All manufacturers of steel, and perhaps of iron, too. That is, I mean it is common.

Mr. YOUNG. That suggests the question whether there is an agreement among them to do that.

Mr. LINDABURY. That is another question.

The CHAIRMAN. That is another question which would be very interesting to this committee. This gentleman, whoever he is, is kicking before he is spurred. It is not the intention of this committee within the next 90 days to go deeply into the relations of the International Harvester Co. and the United States Steel Corporation, for the reason that while the chairman of this committee is not a mind reader, and is not a prophet, and is not the son of a prophet, he is convinced from a careful investigation of the Townsend report, and from information which he has been enabled to receive from other sources, that it will be regarded as expedient by those departments having police power to deal with that question before this committee convenes again, if it takes a recess. The committee will stand adjourned.

Mr. BARTLETT. Until when?

The CHAIRMAN. Untill 10.30 o'clock to-morrow morning.

(The committee thereupon adjourned until to-morrow, Thursday, August 10, 1911, at 10.30 o'clock a. m.)

No. 22

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

THURSDAY, AUGUST 10, 1911.

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

THE UNITED STATES STEEL CORPORATION.

SPECIAL COMMITTEE ON THE INVESTIGATION
OF THE UNITED STATES STEEL CORPORATION,
HOUSE OF REPRESENTATIVES,
Thursday, August 10, 1911.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

The CHAIRMAN. The committee will resume its session.

STATEMENT OF GEORGE W. PERKINS—Continued.

Mr. BARTLETT. Mr. Perkins, you stated the other afternoon in an examination by me of the matters which led up to the acquisition of the Tennessee Coal, Iron & Railroad Co. by the United States Steel Corporation, that at that time there were three institutions peculiarly involved—the Trust Co. of America, the Lincoln Trust Co., and Moore & Schley. I believe they were the business institutions whose condition at the time was critical?

Mr. PERKINS. Yes, sir.

Mr. BARTLETT. Mr. Perkins, you were a witness before the Judiciary Committee of the Senate and testified upon this subject, did you not?

Mr. PERKINS. I did.

Mr. BARTLETT. Did you not in that testimony confine the critical situation to a firm of business men, and not at that time indicate to the Judiciary Committee of the Senate that either the Lincoln Trust Co. or the Trust Co. of America were in such a condition as to require this deal between the United States Steel Corporation and the Tennessee Coal & Iron Co.?

Mr. PERKINS. The inquiry, as I recollect it, by the Senate investigating committee was quite brief. They asked me comparatively few questions.

Mr. BARTLETT. I will refresh your memory by saying that the testimony covers some 22 printed pages of this pamphlet, so it was not as brief as you think it was.

Mr. PERKINS. Well, Judge, it was brief from the standpoint of being extensive enough to bring out the situation. They confined themselves, as I recall it, purely to the technical question of the acquisition by the United States Steel Corporation of the Tennessee Coal & Iron Co.

Mr. BARTLETT. Were you not given full latitude to make a general statement?

Mr. PERKINS. I tried to make a statement, but my recollection is it was very brief, and that the inquiry was confined to the acquisition

by the United States Steel Corporation of the Tennessee Coal & Iron Co. It was not intended——

Mr. BARTLETT (interposing). I will make this statement. I do not want to get into any conflict.

Mr. PERKINS. I appreciate that.

Mr. BARTLETT. I will read from the testimony before the Senate Committee on the Judiciary:

The CHAIRMAN (Senator Clark). Mr. Perkins, from my statement made to Mr. Thorne, you understand the matter upon which you have been asked to appear before the committee. The desire of the committee is, first, in a general way to ascertain if you have any knowledge, personal or otherwise, in regard to the merger of the Tennessee Coal, Iron & Railroad Co. and the United States Steel Corporation. We would like, if you have any information, to have you furnish that to the committee, either generally or in detail.

Mr. PERKINS. That was the question?

Mr. BARTLETT. Yes, sir; and you stated:

I will be very pleased, Mr. Chairman, to give any information that I can.

Now, my question is whether or not, before the Senate Coumittee on the Judiciary, you did not confine your testimony to a statement that an associattion of individuals were in a critical condition, whose condition required this deal, that it was a banking association of persons, a firm, not a trust company or a bank?

Mr. PERKINS. My recollection, as I have stated, is that the inquiry by the Senate committee was almost entirely confined to the technical one as to the acquisition of the Tennessee Coal & Iron Co., and that they did not go outside of that at all.

Mr. BARTLETT. I will read your statement, which appears on page 44 of this pamphlet:

Senator CULBERSON. Mr. Perkins, you have made a general statement about these securities held variously around New York. Is it not a fact that one firm held a majority at that time?

Mr. PERKINS. I don't know as to that. You mean the majority of these particular securities?

Senator CULBERSON. These Tennessee Coal & Iron securities; that they were held by a firm, a very responsible firm, in New York. You have said it was held variously.

Mr. PERKINS. Yes, sir.

Senator CULBERSON. I say is it not a fact that a majority of it was held by one firm?

Mr. PERKINS. I don't know as to that.

Senator CULBERSON. Was not that statement made to the President?

Mr. PERKINS. I don't know.

Senator CULBERSON. I will read you an extract from a letter of the President to the Attorney General the day the conference occurred, November 4, 1907:

"They state that there is a certain business firm, the name of which I have not been told, but which is of real importance in New York business circles, that will undoubtedly fail this week if help is not given. Among its assets are a majority of the securities of the Tennessee Coal Co."

That ends the quotation from the President's letter to the Attorney General, quoting what Judge Gary and Mr. Frick stated to him.

Now, what I want to know is, what firm that was. Is it true that a business firm in New York held a majority of this stock as its assets?

Mr. PERKINS. To my personal knowledge, I can not answer as to whether any one firm held a majority, but from a general recollection of the situation serious embarrassment was threatened to—I don't like to use the word "firm," but to an institution in New York.

Senator CULBERSON. Was it a corporation?

Mr. PERKINS. Now, do you want me to answer that? I want to do whatever I ought to do.

The CHAIRMAN. I should say, Mr. Perkins, that the committee would be entitled to your answer to a general question of that sort. I do not believe the committee would indicate that you ought in any way to make an answer that casts discredit upon any particular institution, either at that time or not, but I do not see how Senator Culberson's question as to whether it was a corporation or a firm would indicate any particular firm or corporation.

Mr. PERKINS. Except that it narrows it.

The CHAIRMAN. That would be my view of the question.

Senator CULBERSON. You were acting in this matter as a member of the finance committee of the Steel Corporation?

Mr. PERKINS. Yes, sir.

Senator CULBERSON. You do not state that any business firm in New York held the majority of this stock?

Mr. PERKINS. Not from present recollection.

Senator CULBERSON. You indicated a while ago that a certain "institution" would have been embarrassed?

Mr. PERKINS. Yes, sir.

Senator CULBERSON. Do you mean by "institution" a corporation, State or Federal, or a business association or firm?

Mr. PERKINS. Now, you are sure you want me to answer that absolutely?

Senator CULBERSON. I do, yes; or I would not have asked it.

Mr. PERKINS. Very good, then. I will say an association of individuals.

Senator CULBERSON. I will ask you if you do not mean that there was a syndicate of individuals who at that time had bought up this stock, and that they were the ones who would have been embarrassed?

Mr. PERKINS. I don't quite understand what you mean by that, Senator.

Senator CULBERSON. I will put it this way. You said a while ago, as I understood you, that an association of individuals is what you refer to?

Mr. PERKINS. Well, perhaps that is an unfortunate word.

Senator CULBERSON. I will restate the question.

(The question was read, as follows:)

"I will ask you if you do not mean that there was a syndicate of individuals who at that time had bought up this stock, and that they were the ones who would have been embarrassed?"

Mr. PERKINS. I mean there was a business concern in New York which, because of its ramifications, it was believed would have caused serious and general embarrassment.

Now Senator Overman took charge of it, and he asked:

He asks you if this firm did not hold a majority of the stock. I do not think the answer is responsive unless you answer that.

Mr. PERKINS. I can not answer that without data or anything before me. I can not answer it from my recollection.

Senator CULBERSON. What do you mean by a concern?

Mr. PERKINS. It was not a corporation.

Senator CULBERSON. Was it a voluntary association of individuals?

Mr. PERKINS. No; so far as I understand it.

Senator CULBERSON. Was it a partnership?

Pending that answer the committee adjourned for two hours, and on the reconvening of the committee the question was repeated by Senator Culberson, and he said:

I would be glad to have Mr. Perkins answer whether the holders of these securities at the time named were a partnership. I do not ask him to state at this time what the name was, but I ask him if it was a partnership?

Mr. PERKINS. I believe I ought to ask, if I may, the chairman to instruct me to answer that, for my own protection in the future.

The CHAIRMAN. I think it is a very proper question for you to answer, Mr. Perkins.

Mr. PERKINS. It was.

That is, it was a partnership. Everybody knows since that that the partnership was Moore & Schley, do they not?

Mr. PERKINS. Yes, sir.

Mr. BARTLETT. Coming back to my question—I do not recall; I have read the testimony—is it not a fact that for the first time, so far as you have testified either here or before the Senate Committee on the Judiciary, you have stated that the Trust Co. of America and the Lincoln Trust Co. were two institutions which were themselves embarrassed by reason of the Tennessee Coal & Iron stock, and if you did not before the Senate Committee on the Judiciary confine the embarrassment in the critical condition growing out of the holding of the Tennessee Coal & Iron stock, which condition was to be relieved, to one institution, to wit, an association of persons—not a corporation?

Mr. PERKINS. Judge, I think you have made yourself very clear.

Mr. BARTLETT. I have tried to do so.

Mr. PERKINS. If you had been a member of the Senate Committee on the Judiciary, and had stated it that way, it would have enabled me to have made it as clear at that time.

Mr. BARTLETT. I am getting too old to think of ever becoming a Senator.

Mr. PERKINS. As is shown from the testimony before the Senate committee, it is clear why I did not come out bluntly at that time and say that Moore & Schley were in danger of failure. It was very close to the panic, and their name had not been absolutely mentioned.

Mr. BARTLETT. In June, 1909, a year and a half away.

Mr. LINDABURY. Not a year and a half—a year and a month or two.

Mr. BARTLETT. A year and two months.

Mr. PERKINS. Just at the end of the panic, then; and it did not seem to me that it was proper to come out and mention this firm, which was trying to right itself.

Mr. BARTLETT. I thought the panic vanished when you got rid of this undesirable stock—when the Tennessee Coal & Iron Co.'s stock was taken out of the loans. That was the statement?

Mr. PERKINS. Yes, sir; in a single particular.

Mr. BARTLETT. You remember that the former President—I do not know whether you were present when his testimony was given—said that that immediately relieved the situation?

Mr. PERKINS. It did.

Mr. BARTLETT. And so, I believe, Mr. Ledyard said?

Mr. PERKINS. Yes, sir.

Mr. BARTLETT. That the changing of the securities held by the banks from the Tennessee Coal & Iron stock and the substitution of something, to wit, the bonds of the Steel Corporation, saved the situation?

Mr. PERKINS. Yes, sir; but, my dear Judge, when one has had double pneumonia——

Mr. BARTLETT (interposing). I have had it.

Mr. PERKINS. I am sorry you have had it—he does not expose himself to drafts for some time after he gets out.

Mr. GARDNER. I want to call Judge Bartlett's attention to the fact that the witness who testified before Mr. Perkins was Mr. Oakleigh Thorne, and he had just testified that the Trust Co. of America was in difficulties, and had loans amounting to $482,700 on Tennessee Coal & Iron stock. Moreover, I would like to call your attention to the fact that this whole discussion which you have been reading

was based on a quotation which Senator Culberson read with regard solely to that firm. I do not think you can accuse this witness of——

Mr. BARTLETT. I am not accusing the witness or anybody.

Mr. PERKINS. I do not think I quite finished my answer to your question, Mr. Bartlett.

Mr. BARTLETT. I am not accusing the witness of anything; I am merely trying to set the witness right, as I have the right.

Mr. PERKINS. As I understand the other part of your question, it was this, that it was brought out that the two trust companies involved were saved, as well as Moore & Schley, in connection with the purchase of the Tennessee Coal & Iron stock, and that they were in trouble because of the Tennessee Coal & Iron stock. That I do not think I have testified to before this honorable committee; I could not, because it was in no sense true. The taking over of the Tennessee Coal & Iron Co. by the United States Steel Corporation had no connection directly with the Trust Co. of America or the Lincoln Trust Co.

Mr. BARTLETT. The Trust Co. of America had about $500,000 loaned?

Mr. PERKINS. It was a fleabite.

Mr. BARTLETT. So you have stated and so I believe it turned out to be.

Mr. PERKINS. On Saturday that Moore & Schley transaction was under discussion. On that evening and the following Sunday the Trust Co. of America and the Lincoln Trust Co. had decided not to open up on the next Monday morning because they were out of funds, and had no way to get funds. Therefore, their refusal to open on that Monday—I am anxious to make this clear.

Mr. BARTLETT. I want it made clear, and that is the reason I called your attention to it.

Mr. PERKINS. With the failure of these two trust companies to open on Monday morning and the failure of Moore & Schley, you can see exactly where the country would have been. Now, Moore & Schley would have failed because they could not meet the time loans. You see, that was one thing. They were involved because of unliquid securities in those loans.

Mr. BARTLETT. Not alone the Tennessee Coal & Iron Co.'s stock?

Mr. PERKINS. I say "unliquid securities."

Mr. BARTLETT. Among which were the Tennessee Coal & Iron stocks?

Mr. PERKINS. Exactly. That was one phase of the panic. Over here [indicating] was another phase. The two trust companies were not going to open because they had run out of money. Now, the trade was that if the United States Steel Corporation would take the Tennessee Coal & Iron Co. that would relieve them, and if they took the stock out of the banks the trust companies were at the same moment to furnish the Trust Company of America and the Lincoln Trust Co. with $15,000,000 on Wednesday morning, and that would take care of them. There were two trades in one. Does that make it clear?

Mr. BARTLETT. I understand your position. I want to ask you if you are not glad to have your attention called to the discrepancy?

Mr. PERKINS. I am very much obliged to you. I think it is very important to clear it up.

Mr. BARTLETT. Was there any statement on the street, or any knowledge gained from anybody, or any information conveyed to Judge Gary or to Mr. Frick prior to the time that they left to see the President about this matter, that Moore & Schley had a majority of the stock of the Tennessee Coal & Iron Co. among their assets upon which loans were made?

Mr. PERKINS. It is not quite clear from their evidence, I think.

Mr. BARTLETT. Whether or not you know that any statement or any information prior to Judge Gary and Mr. Frick's visit to Washington was made to them that Moore & Schley had among their assets upon which loans were made a majority of the stock of the Tennessee Coal & Iron Co.?

Mr. PERKINS. From the testimony you have read I evidently did not recollect before that committee whether or not I knew that they had a majority.

Mr. BARTLETT. Before the Senate committee the same way?

Mr. PERKINS. Yes, sir. I did not care a rap myself at that time whether they had a majority or not. It was not based on that. I did not know and I did not care. I simply knew that that thing had to be corrected, whether it was 40 per cent or 60 per cent. That was what I was working for.

Mr. BARTLETT. Then, if information was given to the President by these gentlemen or anybody else that Moore & Schley had a majority of the stock of the Tennessee Coal & Iron Co., and had it among their assets, loaned upon it, you did not have the information before you appeared before the committee?

Mr. PERKINS. Yes, sir; I did. If they had it, I had it.

Mr. BARTLETT. Then you did not have it?

Mr. PERKINS. Yes, sir; if they had it, I had it.

Mr. BARTLETT. Did you have it?

Mr. PERKINS. If they say I had it, I did.

Mr. BARTLETT. Do you not know?

Mr. PERKINS. I do not. My memory is not charged with that fact, but if Judge Gary and Mr. Frick and the rest of them testify—my dear Judge, excuse me, I was head over heels in the panic in those days, and I was dealing with great principles and not with details. The question of whether or not they had a majority was a detail.

Mr. BARTLETT. And it took Mr. Morgan and all his combine to save the panic?

Mr. PERKINS. It certainly did, and everybody else.

Mr. BARTLETT. What do you say about the statement made—I express no belief—that the panic was rather started against some syndicate bankers who were not desirable in the business, and after it started you gentlemen could not control it?

Mr. PERKINS. I say there never was a more infamous lie started and persistently followed up anywhere than that has been.

Mr. BARTLETT. It has been stated?

Mr. PERKINS. There is not a scintilla of truth in it from A to Z.

Mr. BARTLETT. I am glad to hear you say that. The panic, which may be called a big panic, was not brought on by the bankers?

Mr. PERKINS. You might just as well say that a certain group of gentlemen made a contract with Mrs. O'Leary's cow to kick over the lamp that set Chicago on fire.

Mr. BARTLETT. Somebody set it afire.

Mr. PERKINS. Yes; it was Mrs. O'Leary's cow.

Mr. BARTLETT. In this case, what was it?

Mr. PERKINS. I have testified that conditions had been drifting toward an unstable financial situation for several months. Certainly you yourself must have realized that in your own community. There was unrest, people became rather disturbed. The trust company situation, as I have testified, had been a burning question for some time in the country. The trust companies were not in any way affiliated. I have testified that when the presidents were brought together in Mr. Morgan's office on Wednesday, October 23, they were so far apart in any cooperative sense that they did not even know each other by sight, and I had to introduce these gentlemen one to another. The bankers did know each other; they had a clearing house. I do not want to go into competition as against cooperation.

Mr. BARTLETT. There was not enough cooperation among the banks, so to speak, to stop it?

Mr. PERKINS. That is just what did stop it—cooperation, with the aid of the United States Government, between banks and private banks, and the cooperation of the trust companies had to be invoked in order to stop it. I have stated in my testimony that it was the getting of them together——

Mr. BARTLETT (interposing). Lack of cooperation?

Mr. PERKINS. It was the lack of cooperation and getting them together.

Mr. BARTLETT. Of course, I do not know, because I am not a banker——

Mr. PERKINS (interposing). I think you would make a pretty good banker.

Mr. BARTLETT (continuing). Was it what you designate the unbusinesslike methods of some of the trust companies in fields which were not approved of by the other trust companies and banks that crystallized the attention of the business world or the banks of New York upon those particular trust companies?

Mr. PERKINS. Not quite—you almost stated it. It was their practice, as you have stated, disapproved of by the banks and other trust companies, and the disposition of the general investing public, the people who had money deposited in these trust companies, and the result was, with this feeling of distrust of those methods, when the time of the panic arrived where people began to withdraw their money, those most skeptical about where they had their money withdrew it first.

Mr. BARTLETT. Is it not a fact—I do not know, and I am trying to get information—that these trust companies that were charged and believed or thought either by the banks or the public had gone beyond the legitimate way of conducting trust-company business or banking business, is it not a fact that those trust companies were the first to be subject to attack and to fail?

Mr. PERKINS. Yes, sir.

Mr. BARTLETT. Particularly the trust companies or banking business of the Heinze-Morse-Thomas people?

Mr. PERKINS. Yes, sir.

Mr. BARTLETT. They are the people who first failed, and upon whose business methods the attention was first directed and accentuated?

Mr. PERKINS. Yes, sir.

Mr. BARTLETT. They had failed along about October 19 or 20, or closed their doors?

Mr. PERKINS. Yes, sir.

Mr. BARTLETT. Those institutions had closed their doors when this deal was made?

Mr. PERKINS. Yes, sir.

Mr. BARTLETT. Now, just a word or two. I see, Mr. Perkins, that you have brought yourself to agree with Judge Gary and some other distinguished people in reference to what should be done with large industrial business institutions like the United States Steel Corporation in a speech which you delivered, a copy of which I find in a paper?

Mr. PERKINS. I agree with Judge Gary and many others that there should be something of a constructive nature done——

Mr. BARTLETT (interposing). And we are called upon to report suggested legislation.

Mr. PERKINS. I agree that there should be something of a constructive nature done in regard to the supervision of our great corporotions. If you refer to Judge Gary's statement as to governmental regulation of prices, I do not agree with him. That is, I should regard that as the very last thing to be done, and should much regret if it should become necessary.

The CHAIRMAN. For once I agree with the gentleman.

Mr. PERKINS (continuing). But, as between even going to that limit and going on as we are now, I would prefer to go to that limit. Under the present conditions American business can not go on and develop as it should. Our policy is antagonistic to that of Germany and practically every other European country.

Mr. BARTLETT. I believe you are not a lawyer?

Mr. PERKINS. I am not. I have at least something to be thankful for.

Mr. BARTLETT. Now, then, these corporations, not confined to the Steel Corporation, but like corporations, have been very successful up to this time?

Mr. PERKINS. The United States Steel Corporation?

Mr. BARTLETT. Yes, sir; and like corporations.

Mr. PERKINS. I am glad you think so; yes, sir.

Mr. BARTLETT. I do not know.

Mr. PERKINS. I think so.

Mr. BARTLETT. Due to the magnificent management and the intelligent, well-informed, and capable business men who have had charge of it.

Mr. PERKINS. I thank you.

Mr. BARTLETT. Then, if it has been successful up to the present time, under the present law, why has it been so, and why can it not continue to be so? What is the obstacle at the present time in the way of the continued prosperity and success of the United States Steel Corporation and like great industrial concerns?

Mr. PERKINS. I thank you very much.

Mr. LINDABURY. I would like to answer that question.

Mr. PERKINS. Judge, as to the United States Steel Corporation, I can perhaps be pardoned, as one of the workers in it, for saying that it has perhaps been successful. The fear we have to-day is based on this, that we have reached a point where the executive branch of our Government, in enforcing the laws made by Congress, which they are in honor bound and sworn to do, are proceeding at this moment to dissolve the Standard Oil Co.——

Mr. BARTLETT (interposing). For violations of law.

Mr. PERKINS. That is all technical. I hold no brief for the Standard Oil Co. I never have been in any way associated with that company, and have had no affiliations whatever with it, but that ought to be a red flag, a danger flag, to every other corporation. The Standard Oil Co. has been gathered together after long years of effort, and it is one huge organization, doing business all over the world. The United States Government has spent years and thousands of dollars of the people's money trying to find out all about that company, and it is supposed that they have found out all about it, and they have that right in hand. In place of trying to find out what good that company has done, whether they have had any trouble with their labor, and the wages paid, whether prices have gone down, and whether they have been, in all respects, a good concern for the public, they break it up into thirty-three different parts, I am told, and scatter it all over the face of the earth. Now, if that is not notice to other corporations to look out, I do not know what it is. Therefore I am opposed to any effort to break up the United States Steel Corporation until somebody has found out whether, as you say, it, perhaps, has been successful and done good business.

The CHAIRMAN. Right there: The United States Steel Corporation can break itself up. Is it not true that this holding company is a "rope of sand," that to-day you do not own a single mill in the country, you do not own a single acre of ground, you do not own anything, any material thing, that these corporations can now sue and be sued, contract and be contracted with, that they have their individual corporate entity? Is it not true? Your counsel, Mr. Lindabury, objects to furnishing to this committee the minutes of these subsidiary companies because these subsidiary companies are now absolute, individual, and perfect legal entities who have placed their stock in certain trust companies in New York, still intact, and on those stocks have issued, those stocks being like collateral for a note, other stocks of the United States Steel Corporation, and were the United States Steel Corporation dissolved to-day, each one of these individual concerns, with its own business, with its own orders, with its own board of directors, would be an absolute corporation as the day it went into this combine, and could start again in the industrial world, differing only in that it would no longer be forced, whether profitable or unprofitable, to turn the assets over to the United States Steel Corporation, to be prorated among all the other corporations, losing or regaining the one right that it has lost, the right to compete and the right to fix prices.

Mr. LINDABURY. Just a moment, Mr. Perkins: I desire to make reply to that part of the chairman's question that I have refused to produce the minute books of the subsidiary corporations.

The CHAIRMAN. No; I did not mean to say that.

Mr. LINDABURY. That was in the statement of the chairman.

The CHAIRMAN. I beg pardon.

Mr. LINDABURY. Whatever took place with respect to that was in secret session yesterday, but published in this morning's papers. Does the chairman recall the statement?

The CHAIRMAN. I do not recall that part of it. It was not a refusal; it was simply a statement that you hesitated, that you felt you had not the authority to turn over the books of the subsidiary companies prior to the organization because they were the property of the subsidiary companies, and that you had no moral right to take another corporation's property and turn it over to us as you would your own. Is not that a fair statement?

Mr. LINDABURY. No.

The CHAIRMAN. Then please state it.

Mr. LINDABURY. I have not objected to producing the minutes of the companies because they belong to other companies than the United States Steel Corporation, and have already produced and handed over to the committee, without hesitation, without reluctance, all the minutes of the subsidiary companies that have been asked for that were made since the organization of the Steel Corporation and since that corporation obtained control of the subsidiary companies. Now, I hesitate, as you say, and refuse, without further authority from my clients, to turn over the minutes of the subsidiary companies that were made before the Steel Corporation took them over, upon the ground that they recorded the action of their predecessors, and that we did not think we had an honorable right to turn them over unless it appeared that in law the committee was entitled to them. I think that is a fair statement of my position which you heard yesterday in secret session and now made public.

The CHAIRMAN. I beg your pardon.

Mr. LINDABURY. I am not accusing anybody of improperly developing it.

The CHAIRMAN. This matter has been discussed in the papers. It appeared, I know not how—I am amazed and somewhat grieved that a secret session of this committee should have become the property of every reporter here, that what was done in executive session should have been revealed to the world. When I went out that door [indicating] and the reporters gathered around me, as is their universal custom, I placed my finger on my lips and I said, "Not a word." The chairman of this committee never has, and never will, reveal to anybody, anywhere, under any circumstances, anything that happens in executive session. The chairman of this committee feels that he is honor bound, and I would have as much right as a mason to reveal the secrets of masonry, as much right as I would have to go out of a secret session of this committee and take the members of the press into my confidence as to what occurred. But it is a fact—how it happened I do not know—that what did not occur in this committee has become the property of the press, and that this committee and members of this committee have been put in the attitude of dong things they never did, and never thought of, and for that reason, and that reason only, I mention this matter.

Now, to go back to the proposition, is it not true that each one of these subsidiary companies still retains its original stock, that it

has never been canceled, that each one of these subsidiary companies still retains its corporate entity?

Mr. LINDABURY. As to the first question, no; as to the second, yes.

The CHAIRMAN. Has any of the Carnegie stock ever been canceled?

Mr. LINDABURY. As you put your question, probably you misapprehend this: The stock of these subsidiary companies that is outstanding, of course, the companies do not own it; the United States Steel Corporation does own it; as to some of the companies, all of it, and as to others, nearly all. I think there are none of the subsidiary companies in which the Steel Corporation holds a mere majority; it holds either all or substantially all the stock of all of them. They retain their corporate entity, and they operate through their boards of directors, and the United States Steel Corporation only controls them in that it is able to elect the directors. All that was made clear by Judge Gary's testimony at the opening of this session. That is the situation.

The thing that I object to in the chairman's question and speech is the statement that I was refusing the books of the subsidiary companies on the ground that they were separate corporations that we did not control and whose books and papers we had no right to turn over.

The CHAIRMAN. You misunderstood the chairman.

Mr. LINDABURY. I do not think I did, but I wanted to make clear my position, as declared yesterday, and, as I thought, understood by everybody.

The CHAIRMAN. They were separate corporations at the time of the formation of the corporation is what I said; not that they are separate corporations now. There is nothing of that kind in the question. I said they were; that is, at the time of the organization of the United States Steel Corporation these companies were. There would be some point to your objection if I had said they are. They are not now, but they were at the time of the organization.

Mr. LINDABURY. Probably the chairman had in mind the books before the organization of the Steel Corporation and did not make that clear in his question. Probably that was our misunderstanding.

The CHAIRMAN. That is all there was to it.

You may go ahead, Judge Bartlett.

Mr. BARTLETT. Mr. Perkins, I was asking you——

Mr. PERKINS (interposing). I think I remember the question, Judge Bartlett. You were in effect asking me why, in view of the success of the Steel Corporation, some of us were apprehensive over the present situation, and I was giving you an answer to that. I would like to add to that answer, if I may, the statement just made by the chairman of this committee as one of the reasons indicating our apprehension.

Mr. BARTLETT. The Steel Corporation has not knowingly violated any law of the United States up to this time?

Mr. PERKINS. No, sir.

Mr. BARTLETT. You can answer that if you please—so far as you are aware.

Mr. PERKINS. No, sir.

Mr. BARTLETT. You say in your speech printed in the paper on Tuesday, and also a copy of which you kindly furnished me this morning:

It is a matter of common knowledge that the enforcement of this law—

Speaking of the antitrust law of 1890—

was almost, if not quite neglected for a number of years, during which period the business men were allowed to proceed with their plans. It was a matter of common knowledge during the past 8 or 10 years that some of our executives who were sworn and in honor bound to enforce the laws as they found them, have endeavored to enforce this law, and while so doing were studying its effects and seeing whether it could not be amended.

The Steel Corporation has been in operation during the 10 years last past?

Mr. PERKINS. Approximately; yes.

Mr. BARTLETT. And by this speech you mean to say that the Steel Corporation has gone on and continued its business, regardless of the law, because it was not enforced and your attention was not attracted to it?

Mr. PERKINS. No, sir. I meant that for several years—approximately up to about the time of the organization of the Steel Co.—the Sherman law had been on the books for 20 or more years.

Mr. BARTLETT. Since 1890.

Mr. PERKINS. I think I said it was a matter of common knowledge that for several years after its passage the general development I refer to went on.

Mr. BARTLETT. Prior to its passage and after its passage there were pools and gentlemen's agreements about production and sale of product, was there not?

Mr. PERKINS. I in no sense referred to that phase of the business, Judge Bartlett. I simply was trying to call the country's attention, if I might, to the condition existing to-day by which we have had business organizations that may be of some use. Are we, as a people, going to continue them, or are we going to discontinue them?

Mr. BARTLETT. I will ask this question, and, as far as business men are concerned, you are as well able as anybody to answer that I know of.

Is it necessary, in order to successfully conduct a large industrial business or a large industrial organization, dealing in the production, manufacture, and sale of its products from one State to another, or internationally, to conduct its business different from the methods provided for by the act of 1890?

Mr. PERKINS. You refer to the Sherman law?

Mr. BARTLETT. I do.

Mr. PERKINS. I say it is; absolutely.

Mr. BARTLETT. You have, according to your statement, up to this time and since the organization of the Steel Trust—I beg your pardon, the Steel Corporation; I did not mean to use the word "trust," for I do not know yet whether it is or not. You have, up to this time, for the last 10 years, under the existing law, without violating that law, conducted your business very successfully?

Mr. PERKINS. We have endeavored so to do; yes, sir.

Mr. BARTLETT. So far as we know up to this time you have not violated the law—I do not know, and I would not state you had, without knowing positively. If you have been so successful, refer-

ring again to your views on this subject, and agreeing with Judge Gary, why do you suggest that, as you do in your article, Members of Congress, and especially of committees, should give their attention to such things, and change or modify the present law so as to permit this industrial development and improvement to progress and go on?

Mr. PERKINS. Because it is a matter of common knowledge, I think, that the executive officers of our Government, having been sworn to enforce the laws as they find them, are now substantially literally enforcing those laws, which, as near as a business man can determine from observation, means the breaking up of American large businesses.

Mr. BARTLETT. Not unless they violate the law; not unless they do it as in the Standard Oil and Tobacco cases; violating the laws.

Mr. PERKINS. Might I suggest the remarks of your chairman a few moments ago raised the question as to whether the Steel Corporation could not be entirely dissolved?

Mr. BARTLETT. The chairman's decisions are not the decisions of the courts. It certainly would not be dissolved unless some judicial tribunal said you should be.

Mr. PERKINS. What I plead for in my paper is the kind of an inquiry that will bring out what good, if any, has been accomplished by this concern; that it might, if there had been any such good, in some way way be preserved to the people. I am keenly alive to the faults of corporations and the mistakes they have made, but I am also equally alive in the belief that they have rendered good in some instances. Can not the Congress of our country find out what that good is and find some way to preserve it to the people?

Mr. BARTLETT. You spoke about what Germany and other foreign countries had done in regard to this kind of corporations, did you not?

Mr. PERKINS. Yes, sir.

Mr. BARTLETT. Will you tell us what the Germans do?

Mr. PERKINS. Perhaps I can give no better illustration than just what has happened. The steel men of the world decided to have a conference in Brussels recently. Seven men went over from this country, 30 or 40 from England, and a number from Germany and all others. There were 120 men in that conference. When they got together they paid the compliment, to the business men's minds of the world, of selecting an American business man to preside over that conference, although there were only 7 Americans there and 113 Europeans.

Mr. BARTLETT. Who was that gentleman?

Mr. PERKINS. Judge Gary.

Mr. BARTLETT. I think he was entitled to that honor.

Mr. PERKINS. I agree with you.

There were only 7 Americans, and there were 113 Europeans, and yet an American was chosen to preside over that conference. He made an address to them which appealed to these men so that they adopted his suggestion and appointed a subcommittee, with him as chairman, the idea being to cooperate in the steel business of the world, which is what Germany is doing among her own institutions, and what is being followed by other European nations. The question was immediately raised in this country—excuse the exaggera-

tion—as to whether on Judge Gary's return he ought not to be locked up. That is what we are afraid of.

Mr. BARTLETT. You mean locked up for violating the law, or for being too extreme in expounding that principle?

Mr. PERKINS. I suppose for all those things in the composite.

Mr. BARTLETT. You have not yet told me what Germany does with reference to controlling these matters.

Mr. PERKINS. I am not familiar with the details of her laws, but I know that she favors a general cooperative policy among her industries. The Government keeps a very sharp lookout over those arrangements to see that fair play is observed. They do not fix the prices, but every business man in Germany knows, in the discharge of his duties as a corporate manager, he has to be fair.

Mr. BARTLETT. Coming back to the other proposition, in the last 10 years, or 20 years, we will say, you do not know that even within the last 10 or 15 years combinations for restriction of output or territory were declared illegal—that is, that it has not simply been recently that that sort of business has been declared to be illegal. You know that to be the fact?

Mr. PERKINS. Yes, sir.

Mr. BARTLETT. You remember the courts generally did not permit the railroads in the Traffic Association case to do it; they did not permit it in the White case; so that this law, to which you refer, and about which you are afraid you will run counter, has not altogether been a dead letter, has it?

Mr. PERKINS. Not in recent years.

Mr. BARTLETT. The White case was decided some 15 years ago, and the Traffic Association case some time ago. We have had two or three presidents since that last decision. Did you hear the former president's statement, where he stated and took credit to his own administration for very extensive and vigorous enforcement of this law during his own administration for seven years?

Mr. PERKINS. Yes, sir.

Mr. BARTLETT. So I come back to my question, if the Steel Co. and like organizations observe the law as it now is written and has been interpreted by the highest court in the land, what necessity is there for Congress or for the members of this committee as Members of Congress, in investigating this matter, and in getting information from men who have it, to change the law and permit you to do differently from what you can do under the law? I would like to have you answer that.

Mr. LINDABURY. Will you permit me to object to that question for the purpose of at least making a suggestion to you?

Mr. BARTLETT. Yes.

Mr. LINDABURY. It does not seem to me to be proper procedure to cross-examine a witness on your personal views with regard to political economy, or upon an address delivered by him on his own account before public bodies; or if that be thought a proper way of acquiring information, then I call attention to the fact that in the particular address referred to the witness was not speaking for the Steel Corporation and was not representing the Steel Corporation, and if his general views as there expressed are to be the subject of challenge and discussion and examination, they ought not to be coupled with nor ought he to be cross-examined upon them with

reference to the Steel Corporation, and as if, in making that speech or those observations, he was declaring the policy or standing for the the views of the Steel Corporation. I make the point, you see, that although his views are valuable, of course, and entitled to the consideration they should receive, yet the mistake ought not to be made in thinking that he was representing the Steel Corporation.

Mr. BARTLETT. I have not so stated.

Mr. LINDABURY. He was not making a speech for that corporation.

Mr. BARTLETT. I did not so intend.

The CHAIRMAN. You object to the inference that might be drawn? If the gentleman makes public addresses, being a man of prominence, a member of the firm of J. P. Morgan & Co., vice president of a great insurance company, and a member of the executive committee of the United States Steel Corporation, and also a very distinguished and prominent lecturer, his opinions have weight independent of his connection with the United States Steel Corporation, and the gentleman [Mr. Bartlett] has a perfect right to put the question.

Mr. BARTLETT. I will put the question in another way, so it may not be understood, either to men familiar with this business or anyone else, in the way that has been suggested, and I did not intend it to be a cross-examination.

Mr. LINDABURY. Call it what you please, the examination seemed to be on the lines, and to take the tone of an examination of one who had spoken for this corporation alone.

The CHAIRMAN. Make the discussion brief, gentlemen; the chairman has ruled.

Mr. BARTLETT. Did you answer that question?

Mr. PERKINS. May I have it repeated?

The CHAIRMAN. Mr. Stenographer, read the question to the witness.

The STENOGRAPHER (reading):

So I come back to my question, if the Steel Co. and like organizations observe the law as it now is written and has been interpreted by the highest court in the land, what necessity is there for Congress, or for the members of this committee as Members of Congress, in investigating the matter and in getting information from men who have it, to change the law and permit you to do differently from what you can do under the law?

Mr. PERKINS. In expressing these views, I have not the Steel Corporation or any other corporation in mind.

Mr. BARTLETT. I did not so state. The fact you are a member of the Steel Corporation, I want to say, was a mere incident to show the knowledge and experience, and familiarity of the witness with this great business, and with business of like character; that is all.

Mr. PERKINS. From my observation and experience—and I have been intensely interested in this question—I do not believe it is possible for this country in the twentieth century to properly handle its labor questions, its relationship with other countries, maintain its commercial supremacy, under a technical enforcement of the Sherman law. That is my opinion for whatever it is worth.

Mr. BARTLETT. That you can not continue business successfully, either for yourselves or beneficially to the country and to the world, if the Sherman law, as it is interpreted, stands there as a menace?

Mr. PERKINS. That is my opinion, Judge Bartlett.

Mr. LINDABURY. You mean not technically but literally enforced?

Mr. PERKINS. Yes; I mean literally enforced; I did mean literally.

Mr. BARTLETT. Germany does not fix the prices for its people or corporations who engage in the sale of a standard manufactured article?

Mr. PERKINS. Not so far as I know.

Mr. BARTLETT. To that you do not assent except as a last resort?

Mr. PERKINS. As a last resort; yes.

Mr. BARTLETT. You would rather have that than have the present unsettled conditions of your affairs?

Mr. PERKINS. I believe that the generation of young men just coming onto the scene in this country are not equal in training or in native ability to any that exist anywhere else, or ever did, in the world. I think they ought to have a free hand in the struggle for the commerce that is going on in this century.

The CHAIRMAN. You mean not equal?

Mr. PERKINS. I mean they are without equal. I think they ought to have a free hand. Their ingenuity and inventive genius ought not to be bound down, but as the world has been drawn so close together by the express train and ocean greyhound and long-distance telephone, and as aggregate sums of money have come to be so huge in order to handle the business that no one man owns a business, and therefore the people own it, the managers of the people's money should account to the people for their honest and semisuccessful handling of that money and their business, and that the young man who is handling other people's money in business ought not to object to such a regulation and control, and within that regulation and control the coming business man of this country ought to have a free hand. Try that. If you find there a pack of scoundrels and incompetents who can not get on in that way, fix the prices for them.

Mr. BARTLETT. Do you mean they will not observe agreements, when you say they are a pack of villains and scoundrels?

Mr. PERKINS. You know why I refer to them. I mean if it is a fact they can not get on and can not be trusted to handle other people's money in large concerns. so as to be fair in the "live-and-let-live" policy, doing the right thing by labor, by the consumer——

Mr. BARTLETT (interposing). And by the manufacturer too?

Mr. PERKINS. Yes, sir; and by competitors; then they——

Mr. BARTLETT (interposing). Give us an illustration of what you mean by doing the right thing by the competitor.

Mr. PERKINS. I mean doing the right thing as between man and man; not, because they have a large percentage of the business, to fix exorbitant prices; not, because they may be employing 100,000 men, therefore to use their power to crush down labor.

Mr. BARTLETT. One other question and I think I am through with this examination.

Is it a fact that the interests with which you were allied—the Morgan interest and other interests. banking interests of New York, and financial men of New York—by reason of their great control of money and their interest in these large institutions, dominate and control the financial situation not only of New York, but of the whole country?

Mr. PERKINS. Did you ask me if it is a fact?

Mr. BARTLETT. Is it not a fact now, and was it not a fact last year, this year, and for years past?

Mr. PERKINS. It is not a fact; no, sir.

Mr. BARTLETT. They do not?

Mr. PERKINS. No, sir.

Mr. BARTLETT. I am through, Mr. Chairman.

Mr. GARDNER. Mr. Perkins, there were one or two things you spoke of yesterday about which I wish to make a brief inquiry.

What lines of property did the Trust Co. of America make loans on? You said they were lines which were not reassuring to their depositors or the country generally. I think you mentioned the Georgia Central, did you not?

Mr. PERKINS. I do not remember the technical name. There was a railroad in the South in which they were interested in some way.

Mr. GARDNER. Was that under fire at this time? Was there any market for that stock at the time?

Mr. PERKINS. I think it could have been called more or less an inactive or unliquid stock.

Mr. GARDNER. Do you remember how much?

Mr. PERKINS. No, sir.

Mr. GARDNER. I think you testified yesterday the amount the Trust Co. of America had of the Georgia Central?

Mr. PERKINS No, sir; I think not.

Mr. GARDNER. Do you remember saying something about the Georgia Central?

Mr. PERKINS. Yes, sir.

Mr. GARDNER. In what connection?

Mr. PERKINS. I think it was in that connection, that they had been engaged in business that perhaps could not be said to be technically a trust company business.

Mr. GARDNER. As a matter of fact, the evidence has shown the Trust Co. of America had less than half a million dollars of loans of the Tennessee Coal & Iron, and that they were in difficulty, very serious difficulty. Your belief is that is merely a drop in the bucket, the Tennessee Coal & Iron, so far as the difficulties were concerned?

Mr. PERKINS. I am sure it was; yes, sir.

Mr. GARDNER. That is what I want to get at. After a good deal of negotiation back and forth, the price at which the Tennessee Coal & Iron stock was exchanged for bonds was par to the Tennessee Coal & Iron Co. What fixed that price?

Mr. PERKINS. The price at which the exchange was made?

Mr. GARDNER. Yes.

Mr. PERKINS. Horse trade.

Mr. GARDNER. That is what I want to get at. There has been a good deal of evidence which would tend to show that the price was fixed by Moore & Schley's necessity; in other words, that 100 was the price at which Moore & Schley would be let out of their difficulties, and that they could not be let out at 90, but could be let out at 100. It just figured out that way, and they had a $3,000,000 guaranty bond afterwards.

Mr. PERKINS. Mr. Gardner, the first offer made to Mr. Schley was made on Saturday. That was an offer of 90 for his stock, or a loan of $5,000,000. He figured out, and I figured out with him, and became convinced from his statements that that would not save him.

Mr. Frick and Judge Gary were very much opposed to increasing that offer, and the negotiations were off. I was very much disturbed, realized what was going to happen Monday, and went to Mr. Schley's office Sunday morning. I suggested on Saturday night that he send for Mr. Topping and get him there. Mr. Topping arrived Sunday. We talked and talked and figured and figured and figured, and finally all got together Sunday afternoon. Mr. Topping argued with Mr. Frick as to the value of their property. I remember he showed him the rail mill, which had been more or less obsolete, had been rehabilitated, and within a few months would make better rails at better prices. That was their argument to convince Mr. Frick and Judge Gary their property was valuable; and finally, considering those arguments and the fact that 90 would not save them, the trade was made on the basis of par, which Judge Gary and Mr. Frick, as the two active representatives of the negotiations, felt under all the circumstances they were justified in paying, but were reluctant to pay from a standpoint of what they believed was the intrinsic value of the stock at that time—the market value is perhaps a better word—the market value at that time.

Mr. GARDNER. To come to this exchange of preferred stock for 5 per cent second mortgage bonds, do you remember if the rights to exchange preferred stock for those bonds sold for anything in the market?

Mr. PERKINS. I do not; no, sir.

Mr. GARDNER. As a matter of fact, you remember the relative prices before this arrangement was announced, of the second mortgage bonds and the stock in the market.

Mr. PERKINS. You mean the Tennessee Coal & Iron Co. stock?

Mr. GARDNER. I have reverted now to this question of conversion of preferred stock into second mortgage bonds.

Mr. PERKINS. I beg your pardon; I did not realize that.

Mr. GARDNER. I will ask the question over again. My first question is, Do you remember whether there was any value, money value, to the rights—as I understand it, this was the situation: If I were a holder of preferred stock, I was given the right to subscribe to one bond for every 40 shares of stock I owned?

Mr. PERKINS. Yes, sir.

Mr. GARDNER. What I want to get at is this: Did those rights sell for anything in the market?

Mr. PERKINS. I do not recollect.

Mr. GARDNER. Do you recollect what the price of preferred stock was when this conversion was agreed upon?

Mr. PERKINS. My general recollection is, from refreshing my memory within the last three or four days, that the preferred stock was selling under par, somewhere between 90 and 95.

Mr. GARDNER. Do you remember what the bonds were selling at?

Mr. PERKINS. There were no bonds.

Mr. GARDNER. There were some second mortgage bonds in existence?

Mr. PERKINS. No, sir. We had no second mortgage bonds. They were simply what was known, in the common talk of the Street, as Carnegie bonds, which were the bonds the Steel Corporation issued at the beginning, and then there were various bonds of the subsidiary

companies; but the corporation had no second mortgage bond issue, and that is what we created by this transaction.

Mr. GARDNER. You do not remember whether those rights sold for anything?

Mr. PERKINS. No, sir; I do not.

Mr. GARDNER. Because whether they were sold for anything or not would be an indication as to whether the public considered these second mortgage bonds more valuable than preferred stock.

Mr. PERKINS. I presume that could be ascertained from the records.

Mr. GARDNER. I would like to know it.

As a matter of fact, what proportion of the preferred stock was exchanged for bonds? They were authorized to exchange 40 per cent of their preferred stock?

Mr. PERKINS. Yes.

Mr. GARDNER. What percentage of that 40 per cent was, as a matter of fact, exchanged?

Mr. PERKINS. $150,000,000 of preferred stock was exchanged for $150,000,000 of bonds; so that the $200,000,000 we started out with to be exchanged was not exchanged.

Mr. LINDABURY. Possibly since you have been into that I had better suggest to you that those rights could not have been sold. They could not have had a market price, because they could not be exercised separate from the certificate of stock, which had to be surrendered on the exchange. In the nature of things, there could not have been any market value to that inseparable right. Am I not right about that?

Mr. PERKINS. I think you are.

Mr. GARDNER. You mean if I had 40 shares of preferred stock and was entitled to subscribe to one bond by surrendering 10 shares, and you had that same right, you could not sell me your right so that I could exchange 20 shares and get two bonds?

Mr. LINDABURY. I do. I could have sold you my shares, but I could not sell the separate right; I could not separate the right.

Mr. GARDNER. That being the case, there would be no market value.

Mr. LINDABURY. The whole matter is set out so well in the opinion of the court of errors that I would like to call your attention to it.

Mr. GARDNER. You will put that in the record?

Mr. LINDABURY. Yes.

I would like to say at this point that I made an erroneous statement yesterday with regard to the approval of the plan which, in the view that struck some members of the committee, may be of importance. The report shows that the plan was approved by 99.83 per cent of all the stockholders attending the meeting.

Mr. GARDNER. That is, the common and preferred vote? They both have votes?

Mr. LINDABURY. All kinds; yes; and disapproved by seventeen one-hundredths of 1 per cent. That was the vote, as that opinion shows.

Mr. GARDNER. I should say the proposition that as a matter of fact they were exchanged indicated that a great many people at all events thought it was an advantageous trade to make. But here is the thing

that is sticking in my mind: The net result of the exchange was to put $150,000,000 more ahead of the preferred stock, was it not?

Mr. PERKINS. $200,000,000.

Mr. GARDNER. Ahead of the preferred stock?

Mr. PERKINS. Of the remaining preferred stock.

Mr. GARDNER. Of the preferred stock that was not exchanged?

Mr. PERKINS. Yes, sir.

Mr. GARDNER. Would not the holder of the preferred stock who did not want to make the trade have grounds for complaint that his security had been made less valuable by the placing ahead of him in that obligation of an amount of $200,000,000, only $50,000,000 of which was obtained in cash?

Mr. PERKINS. I think it was all submitted to the holders so they might vote on it and have an opportunity to express themselves, which they did.

Mr. LINDABURY. No; he is assuming all those did not vote, but that was the very point of the litigation, and you will find it very fully discussed in the opinion of the court of errors. It was the point in the litigation.

Mr. GARDNER. How about this commission the syndicate got? How much did they actually get?

Mr. PERKINS. I think we probably have those figures somewhere. I do not carry them in my mind. It was 4 per cent of the amount of the exchange.

Mr. GARDNER. That is, roughly, 4 per cent of $150,000,000?

Mr. LINDABURY. It was $10,000,000, had the thing been entirely completed. It was, as a matter of fact, considerably less.

Mr. YOUNG. $6,800,000?

Mr. GARDNER. $6,800,000 was the commission they received?

Mr. LINDABURY. That was actually paid.

Mr. GARDNER. You indicate in your paper, which I am sorry I have not studied carefully enough to understand, that you do not think that was an excessive commission, because you state there was a very large risk, and I think you said the Steel Corporation agreed with the syndicate that the Steel Corporation should have the option as to whether to exchange the whole $80.000.000, or 40 per cent of it, and that constituted a risk for the syndicate.

Mr. PERKINS. Yes, sir.

Mr. GARDNER. And it was on account of that risk and other risks that this very high commission was paid?

Mr. LINDABURY. May I have that question read before it is answered? I think there is something in that in error.

(The stenographer read aloud the last two preceding questions.)

Mr. LINDABURY. I see I am in error; it is all right.

Mr. PERKINS. I think it is all right.

Mr. GARDNER. That they might take the whole or that it might leave them with a lot of stock in their hands?

Mr. PERKINS. Yes, sir.

Mr. GARDNER. As a matter of fact, now, were not the members of that syndicate, who were friends of J. P. Morgan & Co. in various cities of the country, likely to know whether they would take the 40 per cent or 100 per cent? In other words, was there not a dual capacity there by which the risk was minimized of the Steel Corporation taking only 40 per cent of the $80,000,000?

Mr. PERKINS. No; there was not. As I have stated in my paper, it was necessary, in order to make the exchange, to have the stock deposited, and that meant that the people who deposited it placed it out of their hands so far as their ability to sell or use was concerned; which is always, of course, a risk, and might be a serious embarrassment to a man. This commission was to the syndicate and not to J. P. Morgan & Co., and J. P. Morgan & Co. contracted with other members of the preferred stockholders group that they should only have one-fifth; so you see they only got one-fifth of the 40 per cent.

Mr. GARDNER. I understand that they only got one-fifth of the $6,000,000.

Mr. PERKINS. Yes. The rest of that went to the preferred stockholders themselves to compensate them for having taken the risk of tying up their securities and making the exchange in order that the plan might go through.

Mr. LINDABURY. May I suggest, Mr. Gardner, that it was not really with the corporation to determine what portion of this the syndicate should take? That provision, as you will see at once, was to meet the action in taking or not taking of the stockholders.

If the stockholders did not exercise their option to take the $200,000,000, there was a provision by which the corporation would be put in the same position as if they had, through the operations of the syndicate, and it was that uncertainty on the part of the stockholders which the corporation could not either foresee and control that created the situation.

Mr. GARDNER. I am afraid this is a little bit misleading.

Mr. LINDABURY. I thought the witness did not apprehend your question.

Mr. GARDNER. My first question was this: Eighty million dollars of preferred stock were to be bought by the syndicate and lodged with J. P. Morgan & Co.——

Mr. PERKINS (interposing). May I just interrupt? Not bought, but deposited. They must own it.

Mr. GARDNER. Bought and lodged with J. P. Morgan & Co.—$80,000,000 of preferred stock.

Mr. PERKINS. Yes.

Mr. GARDNER. The next is they agreed to exchange all of this or only 40 per cent of it, at the option of the Steel Corporation, for second-mortgage bonds. I asked you first the amount, and asked you whether I understood the paper correctly in supposing that that was a chief element or a great element in the risk—the fact that the Steel Corporation might only take 40 per cent of this $80,000,000 instead of 100 per cent?

Mr. PERKINS. It was an important element in being able to treat all preferred stockholders fairly.

Mr. GARDNER. Was it an important element of risk? I am trying to find out whether the remuneration for the risk is excessive or not?

Mr. PERKINS. I do not know that I quite get your point.

Mr. GARDNER. Likely I do not understand the nature of the transaction.

Mr. PERKINS. It was, of course, a matter of compensation and, of course, the matter of compensation in any trade is always a matter more or less of opinion. This was thought to be a fair compensation in view of the risk.

Mr. GARDNER. What was the risk? You state certain things that might be left in the hands of the syndicate.

Mr. PERKINS. Yes, sir.

Mr. GARDNER. Obviously, if the Steel Corporation only took 40 per cent of that $80,000,000, the other 60 per cent would be left in the hands of the syndicate, would it not?

Mr. PERKINS. Yes, sir.

Mr. GARDNER. And that was the risk?

Mr. PERKINS. That was a very great risk.

Mr. GARDNER. That was a very great risk, and that entered into the reason for the commission being as high as $6,000,000?

Mr. PERKINS. That was one of the reasons.

Mr. GARDNER. That is exactly what I had supposed. Now, I say, as a matter of fact, was not that risk minimized from the fact that J. P. Morgan & Co., the syndicate managers, were also very influential in the United States Steel Corporation, and that they were syndicate managers and would know, as a matter of fact, whether the United States Steel Corporation would take 40 per cent or the whole 100 per cent?

Mr. PERKINS. No, sir; I really do not see that that had anything to do with it at all.

Mr. GARDNER. Do you mean to say that would only become operative in case the stockholders refused to respond? Is that the idea?

Mr. PERKINS. Exactly; yes, sir.

Mr. LINDABURY. It was to meet that refusal.

Mr. GARDNER. I understand now.

Six million dollars was the commission, and one-fifth of that went to J. P. Morgan & Co., and the whole transaction involved $150,000,000 in bonds for stock, and $50,000,000 in bonds for cash?

Mr. LINDABURY. No; $200,000,000 in bonds for stock, and $50,000,000 of cash. It was $250,000,000 of bonds all together.

Mr. PERKINS. He is taking it as it was finally concluded.

Mr. GARDNER. I was calculating the commission on what was actually done. The commission that was paid to the syndicate was 3 per cent or thereabouts on the gross transaction?

Mr. PERKINS. That is right.

Mr. GARDNER. And in your opinion that is not excessive?

Mr. PERKINS. I thought it a very——

The CHAIRMAN (interrupting). Four per cent.

Mr. GARDNER. No.

The CHAIRMAN. $6,800,000 paid on $150,000,000.

Mr. PERKINS. It was $150,000,000 in bonds in the exchange, and $50,000,000 in cash.

The CHAIRMAN. How much did you get out of the transaction?

Mr. PERKINS. $6,800,000.

The CHAIRMAN. That was 4 per cent?

Mr. PERKINS. Not on $200,000,000.

The CHAIRMAN. Four per cent on what you actually exchanged?

Mr. PERKINS. But we also provided the corporation with $50,000,000 of new money.

Mr. GARDNER. It is 3.4 per cent on the gross transaction?

Mr. PERKINS. Yes, sir.

Mr. GARDNER. Don't you think that is excessive?

Mr. PERKINS. No, sir. We considered it a very reasonable allowance. All things in life are relative.

Mr. GARDNER. I quite understand.

Mr. PERKINS. As you very correctly put it, it was a $200,000,000 transaction, so the question is, as you also very tersely put it, was the percentage large? The question turns on whether 3.4 per cent was a large percentage.

Mr. GARDNER. No; for instance, that might be true in settling an estate, but I am not quite sure that percentage should remain the same no matter what the size of the transaction might be.

Mr. PERKINS. No; I do not think so either, Mr. Gardner; but I mean the question was, in this transaction, was 3.4 per cent a large per cent for the character of the transaction.

Mr. GARDNER. I suppose you say not a large per cent because you compare it with other transactions of like nature, and say that that was the customary charge?

Mr. PERKINS. No, sir. I should hardly say that. I should say, in the first place, I do not know of any other transaction of like nature that has ever been undertaken.

Mr. GARDNER. There has been a good deal of underwriting of securities.

Mr. PERKINS. But this was a peculiar kind of transaction. In the first place, these people had to tie up their preferred stock for a long period of time. We had to get the preferred stock in, in order to make the exchange, and we had to sell $50,000,000 of new bonds. Certainly no one would have thought a commission of 3.4 per cent would have been too large to have allowed a group of men who would have taken $50,000,000 of new bonds at par for cash.

Mr. LINDABURY. Mr. Gardner, will you permit me to call your attention, in the second case, to the judgment of the court of errors on that point? The court said that this contract as to the commission was made expressly subject to ratification by the stockholders, and that as 99.83 per cent had ratified it it was not for the court to condemn it. That would seem to apply to this committee. It was made, as the court points out, with the stockholders.

Mr. GARDNER. Mr. Perkins, did you read the evidence given before this committee by Mr. Huston, of the Lukens Iron & Coal Co.?

Mr. PERKINS. No, sir.

Mr. GARDNER. Or of Mr. Van Ormer?

Mr. PERKINS. No, sir.

Mr. GARDNER. According to the testimony of those gentlemen, in 1900 there was an agreement drawn up and printed, of which a copy was produced, surreptitiously obtained, not by this committee, but by the printer, and it declared that all these agreements were burned; whether without being signed or not did not appear. It also developed that a certain number of the companies, I think about 11, had nevertheless proceeded on an agreement, which we have not been able to discover, but the nature of which was substantially the same, apparently, as the burned agreements, with the exception that they had a different rate for penalties and for excessive freights and for remunerations for less than the apportioned amount paid. In other words, it was an agreement which apportioned to each concern, year by year, the amount of their percentage of the gross shipments of

plate, and that was enforced by sundry fines and penalties, and it was accompanied by an agreement, which we could not find trace of, but which the evidence shows existed, as to the scale of prices fixed by the central association, to wit, the plate association. Furthermore, the evidence tended to show, and in fact did clearly show, that that agreement was terminated in 1904, some time after the organization of your company. Were you a director in the United States Steel Corporation at that time?

Mr. PERKINS. Yes, sir.

Mr. GARDNER. From its inception?

Mr. PERKINS. No, sir.

Mr. GARDNER. At what time did you become a director?

Mr. PERKINS. A few months after its inception.

Mr. GARDNER. Did you ever hear of that plate agreement until this moment?

Mr. PERKINS. No, sir; execpt as I saw some account in the newspapers the other day when this testimony to which you refer was given.

Mr. GARDNER. Did you ever hear of any plate agreement which involved a fixed schedule of prices?

Mr. PERKINS. No, sir; never.

Mr. GARDNER. Did you ever hear of one which involved an apportionment of percentages of shipment?

Mr. PERKINS. No, sir.

Mr. GARDNER. Did you ever hear of any such agreement in any other branch of the steel business?

Mr. PERKINS. No, sir; I never did.

Mr. GARDNER. You have recently in the wire?

Mr. PERKINS. As brought out by this investigation.

Mr. GARDNER. No; I refer to the recent indictment.

Mr. PERKINS. Yes. It is all part of the same movement.

Mr. GARDNER. But that was a surprise to you?

Mr. PERKINS. Yes, sir; it was.

Mr. GARDNER. A complete surprise?

Mr. PERKINS. Yes, sir.

Mr. GARDNER. I absolutely believe you in saying that.

Mr. PERKINS. Thank you very much. I assure you it is correct.

Mr. GARDNER. I want to have an explanation; and mind you, I say that perfectly sincerely——

Mr. PERKINS (interposing). I appreciate it.

Mr. GARDNER. I want to have an explanation of how it is that the managers of the United States Steel Corporation can possibly be ignorant of that sort of thing?

The CHAIRMAN. Mr. Gardner, I wish right there to have you call attention to a statement made by Judge Gary as to the matters existing between his company and subsidiary companies. Here it is [handing a paper to Mr. Gardner].

Mr. GARDNER. Mr. Perkins, at a meeting of the board of directors of the United States Steel Corporation, in New York, on October 2, 1902—I do not know what this contains—Judge Gary made this statement to the directors——

The CHAIRMAN (interposing). Yes; that is correct.

Mr. GARDNER (reading):

These companies, respectively—

I presume he was referring to the subsidiary companies—

have completed organizations, including working committees, composed of the presidents, vice presidents, managers, mill superintendents, etc., who are always in close touch with the affairs of the corporation with which they are connected; and the presidents of the different companies frequently meet for interchange of views. The conclusions of the officers of subsidiary companies are reported to different departments of the United States Steel Corporation, and recommendations, but not instructions, frequently made by the latter to the former. This corporation, acting through one or more of its managing officials, is in frequent communication with the presidents of subsidiary companies, respectively, concerning the business and business methods of all subsidiary companies. If any question arises which involves a departure in any respect from general lines of policy which have been adopted, the same is brought before the executive committee of this corporation for consideration, determination, and advice. If any question of finance is involved, the action and determination of the executive committee is reported to the finance committee of this corporation for consideration, determination, and advice. If the executive committee is not in session at any time, the chairman of the executive committee possesses the powers of the committee. If the finance committee is not in session at any time, the chairman of the finance committee possesses the powers of the committee. It is very seldom that the chairman of either committee exercises the powers of the committees, without action of the committees, respectively, or at least the advice of a majority of the committee, except as to certain matters which have been particularly placed in charge of the chairman of the executive committee by this board.

As an illustration of the method of transacting business, let it be supposed that one of the subsidiary companies is desirous of making a substantial expenditure for improvements, or of entering into a contract of sale or purchase involving large sums of money, or of making some important change in policy; the officer or manager or superintendent who first suggests the proposed action will make recommendation to his superior officer, giving his reasons in detail. This will reach the president of the particular company, and be considered by his committee. After decision, the subject is submitted to the president, or a vice president or other officer, of the United States Steel Corporation, and is brought before its executive committee for consideration, etc.

In conclusion:

Thus it will be seen each subsidiary company is equipped for success independently of any other company or corporation; but that the association and connection with the officers of other companies in which this corporatin is interested, and the officers of this corporation, may be and usually is of great benefit to each subsidiary company, and particularly to this corporation.

The CHAIRMAN. Mr. Perkins at that time, and for many years, was chairman of the executive committee.

Mr. PERKINS. I beg your pardon; the finance committee.

The CHAIRMAN. Yes; the finance committee.

Mr. GARDNER. Now, Mr. Perkins, that seems to indicate, taken in connection with the fact that those gentlemen pleaded guilty, by which we must assume, at all events, that the facts were as found in the indictment, and considering that fact, that this machinery which you establish for keeping in close touch with your subordinates, it looks to me as if there is a very serious question there——

Mr. LINDABURY (interposing). I wish to call attention to what seems to me will appear to you on the record in your question as printed. You have been talking to him about the plate pool. Of course, nobody has been indicted with respect to the plate pool.

Mr. GARDNER. I understand. I shifted my question without my shift being apparent on the record. Assuming, Mr. Perkins, that the

plate agreement in reality did exist in 1904, or assuming, if you choose, what as a matter of law is the case, that the wire agreement did exist, how can you explain the fact in connection with that machinery which is established, that you and others of the high officials of the Steel Co. knew nothing about it?

Mr. PERKINS. Mr. Gardner, I think it is explained on the general workings of human nature. A father has four sons. He advises them and perhaps instructs them as to what they should do. They go their ways, and he thinks they are going to follow his advice and instructions. He suddenly finds, through some other sources, some day, greatly to his surprise, that one or the other has not done so. They may not have intentionally violated his advice or instructions, but in changing conditions under which they have been living or working and in the progress of events, they have used their judgment, and have not either thought to report to him, or have not, for reasons that govern human nature, reported to him such facts.

Mr. YOUNG. I would like to ask a question right there in this regard. This plate agreement that we have considered was made in 1900. The Carnegie Co. was one of the parties to that agreement?

Mr. PERKINS. This was 1900, Mr. Young.

Mr. YOUNG. 1900; before the Steel Corporation was organized. The Carnegie Co., as I say, was a party to that agreement. At that time Mr. Schwab was president of the Carnegie Co. Among his duties, he attended largely to the sales. He became the president of the United States Steel Corporation. This agreement continued on some three years after the organization of the Steel Corporation.

Mr. GARDNER. Involving three subsidiary companies of the Steel Corporation.

Mr. YOUNG. Yes; of which the Carnegie Co. was one. How can you explain that it was possible that Mr. Schwab, the president of the United States Steel Corporation, was not aware of that part of it?

Mr. LINDABURY. Nobody claims that.

Mr. PERKINS. All I can say, Mr. Young, is that I know nothing about all that question. As I have testified, it is all as new to me as it is to you gentlemen.

Mr. LINDABURY. Will you get the date of Mr. Schwab's ceasing to be president?

Mr. YOUNG. This was the first; he was the first president.

Mr. PERKINS. I would not pretend to be accurate about it.

Mr. GARDNER. Referring to your illustration of several sons going out to work for themselves, I quite understand that when they go out in that way they might disobey the instructions of their father. On the other hand, these persons are not working, financially, for themselves, except that they are working for a salary. They are working for their father. Now, what object is there in these wire people taking such serious risks with the law, as they did, when they are going to reap no pecuniary benefit from it, but when the benefit is going to you?

Mr. PERKINS. Mr. Gardner, I have been associated all my life with men rather than with things, in organizations, and my judgment is that American business men have been preeminently ambitious to make individual successes, wherever their calling lay, for the sake of the success.

Mr. GARDNER. The pride of the job.

Mr. PERKINS. The pride of the job.

Mr. GARDNER. The same thing that makes us all work hard, apart from trying to be reelected.

Mr. PERKINS. Yes.

Mr. GARDNER. It is what makes politicians such good postmasters. [Laughter.]

Mr. PERKINS. Yes.

Mr. GARDNER. Well, it is.

Mr. PERKINS. Yes; that is right.

Mr. GARDNER. Is not this also right, that each manager knows that it is results you are looking for, just as, taking the case of the Sugar Corporation—well, I do not know that that would be fair, to compare the Steel Corporation with the Sugar Corporation, under the circumstances, but we have found that a situation sometimes exists where the managers say, "We can not go into details, but we expect you people to make good." Does not that exist in the minds of your submanagers, that they had better make good?

Mr. PERKINS. Hardly, Mr. Gardner. The policy of the Steel Corporation, emanating from the finance committee and its organizers, has been, I think, consistent in that we only wanted to make good along particular lines that were of benefit to the public, both as to labor and competitors and consumers; and everything has been discouraged that was contrary to law, or in our judgment the practices disapproved by the public. There have been absolutely no contrary instructions given. Now, may I make this further suggestion. One reason that occurs to me why we have not known about that emanates in the condition of our laws.

Mr. GARDNER. In what?

Mr. PERKINS. Emanates in the condition of the laws of the land. It has often been debated whether it would not be better, and if we could not get a closer hold on things and know more about it, to have the Steel Corporation an operating company and wipe out these subsidiary companies and presidents and vice presidents, and have them closer in hand, where we could enforce our instructions or enforce our advice, in the way of instructions and advice. The way we have been doing, simply giving advice, has put these men off where they feel that they must assume their own responsibility more or less, which was quite proper. They are an unusually able body of men. Mr. Carnegie never said a truer thing than when he said that his organization was worth more than his mills.

Mr. GARDNER. Of course your business men are just exactly as human as the politicians, and I am perfectly aware that there have been some wicked men in politics who have judged their lieutenants by the results they produced rather than the way those results were attained; very much as some gentlemen subscribe $500 to a campaign fund to be used for perfectly legitimate expenses, and then take no pains to ascertain how it has been actually used.

Mr. PERKINS. That does not apply to me, of course?

Mr. GARDNER. That does not apply to you or to anybody in this room. But it occurred to me that that might be one of the reasons; and if so, it was a very undesirable system; and I suppose what you meant by the laws of the land was that condition of various laws that required you to maintain your——

Mr. PERKINS. Yes; and of course every man that reads knows that the Steel Corporation's executives, almost every minute since its organization, have been harassed to know what the laws were, and what we could do. Now, if we had had a clear road, we would have had one operating company long ago. It would not have been a question of giving advice or counsel, but a question of putting the thing in one organization and getting it closer together. That is why I say that is where one of our difficulties has been.

Mr. STERLING. Why have you not done that?

Mr. PERKINS. Largely on account of the State laws, where there is residence required.

The CHAIRMAN. There is quite a hearing on that.

Mr. LINDABURY. Like your Illinois law, for instance.

Mr. GARDNER. Now, I want to come to the subject of remedies. This is quite extraneous. I want to ask you whether, in your opinion, any improvements in our currency system could be devised by which the situations could be avoided such as were developed at the time of the Tennessee Coal & Iron Syndicate, when, as it appears, the only people who could save the situation were a group of gentlemen who met in Mr. Morgan's library, plus the Secretary of the Treasury. Do you think that by any improvement in our currency system that power could be more diffused?

Mr. PERKINS. Yes, sir; I do.

Mr. LINDABURY. Now, that question having been answered, may I object——

Mr. PERKINS. Instead of the currency situation, I would say financial.

Mr. LINDABURY. I do not think it is outside the capacity of the witness, but the capacity of the committee.

Mr. PERKINS. If counsel does not object, I would like to answer that question.

Mr. LINDABURY. I have no doubt you would.

Mr. GARDNER. If counsel does not seriously object, I would like to ask you this: For instance, does the Aldrich currency plan recommend itself to your judgment?

Mr. PERKINS. That would take a day or two, possibly, to discuss. But here is what I want to say, broadly. I think there ought to be a plan by which the banks of this country, the national banks and financial institutions, could, in groups, cooperate. The only thing that saved this country, broadly speaking, and from the point of view of our financial concerns, at the time of the panic was clearing-house certificates, which meant that all the concerns in a most crude and unbusinesslike and unscientific way got together in the shape of an organization.

Mr. GARDNER. And issued currency?

Mr. PERKINS. Yes. Well, but that they did it in a protective sort of way in cities. Now, as to the point you are coming to, you say to prevent such a situation as this, one thing that you gentlemen could do that would stop speculation in New York, and stop a condition that creates panic is to prevent the banks in Chicago and Kansas City and St. Louis from sending their money to New York in the summer and loaning it on call, and then pulling it out of New York in the autumn when they want to move the crops.

Mr. GARDNER. Could that be prevented?

Mr. PERKINS. There ought to be some way to do it. Why should a bank in Chicago or Denver send money to New York and loan it on call and depress the price of money in New York, and make the temptation to people to take cheap money and speculate and get involved in all sorts of things, and then pull that money out in the fall suddenly and give us high money and trouble?

Mr. GARDNER. The main object of my question was to find out whether you believe that the situation could be remedied.

Mr. PERKINS. I certainly do. I do not believe there is anything that American men can not remedy if they will get around the table together in a friendly way and go at it.

Mr. GARDNER. I did not know that you regarded the situation as an evil.

Mr. PERKINS. I certainly do.

Mr. GARDNER. Now, Mr. Herbert Knox Smith estimates that the United States Steel Corporation controls 75 per cent of the Lake Superior ore lands. He does not attempt to give your proportional holdings of inferior ore lands, beyond saying that you have between 400 and 700 millions of tons in the Birmingham district; but he indicates his belief that it is very large. Assuming that there is even an approach to accuracy in what Mr. Smith says, and assuming that a good deal of the rest of these ore lands are owned by other steel companies, in your opinion would it be possible for any large steel corporation to be formed to-day, in competition with you, and find itself in a position to buy up ore lands with which to conduct its business?

Mr. PERKINS. Mr. Gardner, I do not consider that is—if you will pardon me for answering in that way—a fundamental question.

Mr. LINDABURY. Let me submit the first fundamental question, which is that although this witness is a very high authority on finance and kindred questions, he does not appear to be on ores, and this apparently calls for an expert opinion.

Mr. GARDNER. Let me, then, state the question in another way; because what I am trying to get at is the remedy.

Mr. PERKINS. Yes.

Mr. GARDNER. I will say this, that I believe that the amount of good available ore in this country is very limited, or is limited. I believe that the bulk of it, the very large bulk of the best ore, is held by the United States Steel Corporation, and a great deal of the rest is held by other steel corporations. That being the case, it seems to me that there can not be free competition in the steel business. I do not believe that the American people will tolerate a do-nothing policy. In other words, I think that there are three remedies to the situation. In the first place, I draw the distinction between simply a very large concern like the National Biscuit Co. and a concern like the United States Steel Corporation, whose business is founded on a limited natural product; in other words, on something that has a monopolistic feature in it.

Now, I say when you find a condition existing where a natural monopoly is at the basis of a great business, and the people desire that something should be done, it seems to me that we are faced with three possible remedies: First, dissolution, to which you have already given your objection; second, Government control, which you have already stated that you favor; and there has been a third that has

been a good deal mentioned, and that is a constitutional amendment which would enable the United States Government to buy back its ore lands and lease them or sell the product—preferably lease them—to various steel companies that might be in existence or might spring up. In other words, for the Government to take charge of the monopolistic situation which appears in the steel business. Possibly some people might go further and say that the transportation ought to be added. But, putting it simply on the grounds of the United States Government taking back, at a proper valuation—assuming that it would be a proper valuation—the ore lands, is that a possible solution of this difficulty?

Mr. PERKINS. Well, that is a very, very deep question. I do not feel that I have thought out that third feature to which you refer sufficiently to express an opinion, for whatever it might be worth; but my feeling has been, and I have expressed it very often in our conferences in the Steel Co., that we are unduly alarmed about not having much ore. The discoveries in the South of ore, the discoveries here and there, are continually coming up. There is an untold amount of what is known as low-grade ore everywhere. Our inventors are at work on that all the time. We are just on the threshold of invention that will bring that all into use.

Mr. GARDNER. Then you assume that my premise is wrong?

Mr. PERKINS. No, sir; I say it is a question whether we are not unduly disturbed about that.

Mr. LINDABURY. Well, I hope that the committee will keep their minds open. I am sure Mr. Gardner did not mean to make a final conclusion. I am told, since yesterday, by experts of a high character, that there never was a more mistaken impression in the world than that expressed in the question.

Mr. GARDNER. Of course, we have not got full information. We have no information yet of the Cuban ores.

Mr. LINDABURY. No.

The CHAIRMAN. We have a statement by a director of the Steel Corporation of the holdings of the United States Steel Corporation of ore properties, that is by Mr. Gayley. Would you regard him as an authority?

Mr. LINDABURY. By whom?

The CHAIRMAN. Mr. Gayley.

Mr. LINDABURY. There never would be any doubt as to the amount of ore lands that the Steel Corporation owns; but the comparison of that amount with the whole is what I would question.

The CHAIRMAN. Mr. Gayley states—and although I quote from memory, I am sure I quote him correctly—that you hold from 70 to 90 per cent of the available ores in the Lake Superior district, and he reported that in 1902.

Mr. LINDABURY. From 70 to 90 per cent?

The CHAIRMAN. Yes.

Mr. LINDABURY. I am not so sure.

Mr. YOUNG. There has been a good deal of discovery since that.

Mr. LINDABURY. Yes. I am not so sure that the report of the commissioner as to the proportion of the available ores in that particular district——

The CHAIRMAN. I am not quoting him; I am quoting Mr. Gayley.

Mr. LINDABURY. The difference there is not big enough to be of much account; but when you come to the whole country or the southern region, I have been told on the highest authority this morning, that instead of our not having over 17 per cent, as was mentioned a few days ago, it is really much less than that. But we will develop that. I only ask the committee to keep their minds open.

Mr. GARDNER. How are you going to develop it?

Mr. LINDABURY. I mean by witnesses.

Mr. GARDNER. Have you some plan in your mind for developing that very important matter?

Mr. PERKINS. I do not think Mr. Gardner was here when you brought that out the other day.

Mr. LINDABURY. Were you not here, Mr. Gardner?

Mr. GARDNER. No, sir.

Mr. LINDABURY. I asked that the privilege be accorded to me of producing Prof. Eccles, who was the expert formerly of the Geological Survey, and he has assured us this morning that he will be at the disposal of the committee whenever we want him; and several other experts, who we are informed are specially qualified by reason of education and experience to enlighten the committee on the subject, will be called before the committee; so that we expect to get the best information.

Mr. GARDNER. That is first rate. That is all I want. I do want to ask Mr. Perkins the question whether, in his opinion, it would be possible for another steel corporation to be organized successfully—a large steel corporation?

Mr. LINDABURY. I would like to note my objection, because I conceive the witness can not know anything about that.

Mr. GARDNER. All right; I will withdraw the question and resign the witness.

Mr. DANFORTH. When did you first hear of any talk of the acquisition of the Tennessee Coal & Iron stock by the Steel Corporation?

Mr. PERKINS. When did I first hear?

Mr. DANFORTH. Yes.

Mr. PERKINS. Well, approximately on October 25, I should think. The 24th or 25th.

Mr. DANFORTH. 1907?

Mr. PERKINS. 1907; yes. I beg your pardon; no; it was on Friday, November 1, I should say.

Mr. DANFORTH. 1907?

Mr. PERKINS. 1907

Mr. DANFORTH. That was the first talk you had heard on the part of anyone connected with the United States Steel Corporation in regard to taking that stock?

Mr. PERKINS. Well, perhaps a year or two before, the question of acquiring the Tennessee Coal & Iron had been brought to our attention, and we had turned it down. We did not go into it. We did not want it.

Mr. DANFORTH. Do you mean a committee or the board?

Mr. PERKINS. The finance committee.

Mr. DANFORTH. Had the control of the corporation then been offered to you—to your corporation?

Mr. PERKINS. No, sir; I do not recollect that. It simply came up as a principle, whether we would enter into negotiations to acquire that company, and we declined.

Mr. DANFORTH. It was simply an abstract discussion?

Mr. LINDABURY. It is in the testimony of Mr. Morgan.

Mr. DANFORTH I wanted to get at what he knew of that.

Mr. LINDABURY. Yes.

Mr. DANFORTH. Was that the time that other witnesses have testified that Mr. Kessler was discussing turning over the corporation to Mr. Morgan, or having Mr. Morgan and the Steel Corporation acquire an interest in the Tennessee Coal & Iron Co.?

Mr. PERKINS. I am not familiar with any other testimony that has been given on that question.

Mr. DANFORTH. There had been talk, a year or two prior to the actual acquisition of the stock, that through some intermediary Mr. Morgan or the Steel Corporation was asked to buy, or agree to a price at which it would buy, the stock?

Mr. PERKINS. As I say, my recollection is that we were approached to know whether we would be interested in acquiring the Tennessee Coal & Iron Co., just as we have often been approached about other properties, and we decided that from the standpoint of the policy of not wanting the property. In other words, we did not get down to price, because we were not going to buy it. Even if it was cheap, we would not have bought it.

Mr. DANFORTH. So that the first that you know anything about at this time of anyone talking about buying the Tennessee Coal & Iron stock was the Saturday prior to the date of its actual purchase?

Mr. PERKINS. Friday or Saturday.

Mr. DANFORTH. Friday or Saturday?

Mr. PERKINS. Yes.

Mr. DANFORTH. Do you know of a bank or banks—a system of banks—in New York City which are, rightly or wrongly, called the "Morgan banks"?

Mr. PERKINS. No, sir. I think that is just gossip. It is a common expression that has come to me.

Mr. DANFORTH. There is gossip of that nature?

Mr. PERKINS. Oh, yes, sir; there has been for many years.

Mr. DANFORTH. And the gossip relates, I presume, to a certain number of banks?

Mr. PERKINS. I really do not know how it originated.

Mr. DANFORTH. You do not know what foundation there is for that gossip?

Mr. PERKINS. No, sir.

Mr. DANFORTH. And you would not undertake to name the banks that gossip attaches that name to?

Mr. PERKINS. I do not believe I would want to try to do that.

Mr. DANFORTH. Do you know of any bank in the city of New York that, prior to the purchase by the United States Steel Corporation of this stock of the Tennessee Coal & Iron Co., made a drive at the Tennessee Coal & Iron stock?

Mr. PERKINS. That is not thinkable that that could have happened, and I never heard such a thing even remotely suggested until within the last two or three years.

Mr. DANFORTH. You do not know of any such state of facts?

Mr. PERKINS. No, sir. It could not have been possible that there could have been any such state of facts.

(At 1 o'clock p. m. the committee took a recess until 2.10 o'clock p. m.)

AFTER RECESS.

At the expiration of the recess the committee resumed its session.

Mr. BARTLETT. I would like to ask one question before you proceed, Mr. Chairman.

The CHAIRMAN. Very well.

STATEMENT OF MR. G. W. PERKINS—Continued.

Mr. BARTLETT. I want to ask you a question, Mr. Perkins. This morning when I asked you a question with reference to a statement that had been made, not by myself but by others, in the public prints, that there was a determination or a combination or a conspiracy, if you wish to put it that way, on the part of certain banks in New York to put certain other banks out of business, you were rather positive and violent in your assertion as to what that was. Of course, you had reference to the statements in the newspapers and not to what I said?

Mr. PERKINS. Oh, yes; Judge Bartlett; most decidedly.

Mr. STERLING. Mr. Perkins, you said this morning that large aggregations of capital were necessary at this time in the steel business in order for the American industry to maintain itself. Did you not say that, or words to that effect?

Mr. PERKINS. Yes, sir.

Mr. STERLING. Are you familiar with the steed workers and steel manufacturers of England and other European countries?

Mr. PERKINS. In a very, very general way.

Mr. STERLING. Is the steel business of England in a few large corporations or in a great many small ones?

Mr. PERKINS. Well, I think it is in something like the condition we are in here. It has large and small concerns.

Mr. STERLING. It has not any corporation or company that is capitalized at anything like fourteen hundred million dollars, has it?

Mr. PERKINS. No, sir; and it has not anything like the position in the steel trade to-day that we occupy.

Mr. LINDABURY. And it has not made any advance, under the evidence, in 25 years. England has made no advance in its production, under the evidence, in 25 years.

Mr. STERLING. I understand that. What is the production in England of iron and steel?

Mr. PERKINS. I do not know.

Mr. STERLING. I think Mr. Schwab said it was $5,000,000, and he said it had been about that for 25 years. Is the steel and iron business of Germany conducted by large or small concerns?

Mr. PERKINS. By large concerns, in pretty close cooperation.

Mr. STERLING. Do you know how large their concerns are, as to capitalization?

Mr. PERKINS. No, sir.

Mr. STERLING. Have you any idea?

Mr. PERKINS. No, sir.

Mr. LINDABURY. If you will pardon me, Mr. Sterling, I have been hoping, and I understand it is the intention of the committee some time, to call the president of the Steel Corporation, who had charge of the export business for a good many years, and, I suppose, is the best-informed man on the world's business, the business outside of the United States, probably, in the United States.

Mr. STERLING. Who is he?

Mr. LINDABURY. Mr. Farrell, the present president of the Steel Corporation.

Mr. BARTLETT. He was the agent of the company in the export business?

Mr. LINDABURY. He is the president of the company, and had charge of the export business of the company for years; and he is undoubtedly the best informed man in this country on that subject.

Mr. STERLING. I did not intend to go into very great detail on that subject.

Mr. LINDABURY. And I did not mean to cut you off or to interrupt you. I simply wanted to tell you that.

Mr. STERLING. This is merely preliminary. Mr. Perkins, have you not some idea of the extent of the more important iron and steel producers of Germany and France?

Mr. PERKINS. No, sir; I have not, Mr. Sterling. I have never given attention to those figures at all.

Mr. STERLING. Do you know whether there are a great many independent producers of iron and steel in those countries?

Mr. PERKINS. No, sir; I do not know as to the number. I do not know how many there are.

Mr. STERLING. What do you mean by saying that there is close cooperation between the producers of iron and steel in European countries?

Mr. PERKINS. I do not know that I can make it any clearer than to just state that there is cooperation.

Mr. STERLING. Cooperation as to fixing prices?

Mr. PERKINS. I do not know as to that. I mean that they are in more of a cooperative spirit as to the conduct of the business than in a hostile competitive spirit.

Mr. STERLING. Do you mean that they cooperate with a view of eliminating competition in the business?

Mr. PERKINS. As to that I can not say, but I believe they cooperate to prevent destructive competition and methods that will throw their labor out of employment at certain periods and bring very high prices to the public at other periods, and that sort of thing.

Mr. STERLING. Cooperation with a view of preventing that or avoiding that?

Mr. PERKINS. Avoiding that; yes, sir.

Mr. STERLING. Well, in this country when these 11 or 12 companies organized, or when they were taken over by the United States Steel Corporation, there was not any additional capital put into the business, was there?

Mr. PERKINS. Yes, sir.

Mr. STERLING. To what extent?

Mr. PERKINS. $25,000,000 was provided as additional capital at the very outset.

Mr. STERLING. Well, that was a pretty small item compared to $1,400,000,000 of capitalization, was it not?

Mr. PERKINS. Comparatively; yes, sir.

Mr. STERLING. The $25,000,000 was simply put in as a fund for current uses, was it not?

Mr. PERKINS. For additional working capital.

Mr. STERLING. Just the same as this $50,000,000 which you got or expected to get by this transfer of——

Mr. LINDABURY. Conversion plan, it is usually called.

Mr. PERKINS. Conversion plan.

Mr. STERLING. This conversion of preferred stock for bonds?

Mr. PERKINS. Yes, sir.

Mr. STERLING. Was not that $25,000,000 and whatever you got by the conversion plan substantially all of the capital that was added by the United States Steel Corporation to the steel business, included in all the companies which they own, from the date of the organization to the present time?

Mr. PERKINS. Oh, no, sir.

Mr. STERLING. What other capital has been added to it?

Mr. PERKINS. There has been a great deal of capital added from the business.

Mr. STERLING. Oh, from the earnings?

Mr. PERKINS. Yes, sir.

Mr. STERLING. I know; but I mean independent capital. Those subsidiary companies would have made these earnings, probably, just the same, and made the same betterments with them; but I mean independent capital outside of the earnings of any of the subsidiary companies. What other capital has the United States Steel Corporation added to the business than the $75,000,000?

Mr. PERKINS. Well, some capital has been added from time to time through the sale of the securities of the subsidiary companies.

Mr. STERLING. That could have been accomplished just as well without the United States Steel Corporation, could it not? Those subsidiary companies could have issued additional capital?

Mr. PERKINS. In their original——

Mr. STERLING (interrupting). Yes.

Mr. PERKINS. I presume so.

Mr. STERLING. That was done, I presume, for the purpose of making improvements on the property?

Mr. PERKINS. Yes, sir.

Mr. STERLING. Those additional stock issues of the subsidiary companies were for that purpose, were they not?

Mr. PERKINS. Yes, sir.

Mr. STERLING. Do you know of any other capital that has been added, independent of any earnings of the subsidiary companies, and independent of any stock which they have issued as subsidiary companies?

Mr. PERKINS. At the moment I do not recall any other.

Mr. STERLING. What advantage has been given the business, either in the domestic trade or in the foreign trade, by the simple change of the ownership of the stock in these subsidiary companies from the hands of the original owners to the hands of the United States Steel Corporation?

Mr. PERKINS. I do not know that I quite follow you.

Mr. STERLING. As I understand it, all that took place was, when the United States Steel Corporation organized, that it simply took over and became the owner of the controlling interest in the stock of all of these subsidiary companies. That is true, is it not?

Mr. PERKINS. Yes, sir.

Mr. STERLING. Now, what advantage came to the business by reason of the controlling interest in the stock of all those concerns being consolidated into one ownership?

Mr. PERKINS. Oh! I do not know that the transfer of the securities by and of itself was so much to the point as to coordinate and cooperate these plants in one harmonious working organization. There had been very severe labor difficulties, you know, and especially in the steel business. There had been very severe commercial troubles because of difficulties in the steel business, and a cooperative spirit was thought to produce better results and economies in operation.

Mr. STERLING. How did the change of ownership in the stock relieve the labor situation?

Mr. PERKINS. Well——

Mr. STERLING. That is, why were the directors of the United States Steel Corporation, or its officers, any better qualified to cope with those questions which you have mentioned than the managements of the subsidiary companies acting alone?

Mr. PERKINS. Well, in the light of what has happened in the last 10 years I think it is only fair to say that the men who came into the management and the direction of the policy of the Steel Corporation saw the labor question in a new and a broader light than the men who had been the directing spirits in the steel business prior to that time.

Mr. STERLING. Were there any new directing spirits by reason of the organization of the United States Steel Corporation? You came into the business for one, did you not?

Mr. PERKINS. Yes, sir.

Mr. STERLING. You had never had any practical experience in the steel industry, had you?

Mr. PERKINS. No, sir.

Mr. STERLING. Who else came in besides yourself that was new to the business?

Mr. PERKINS. Well, it was not any more a question of those who came in than of those who went out—that made the difference.

Mr. STERLING. Well, would you care to name who went out—that improved the situation by their going out?

Mr. PERKINS. I do not know whether my counsel wishes me to go into personal questions or not.

Mr. LINDABURY. Counsel will exercise his prerogative by objecting to that question.

Mr. STERLING. You do not represent the gentlemen that went out, do you? They are the only ones who might object.

Mr. LINDABURY. As amicus curiæ, yes. For them, for the witness, and for all concerned, I object.

Mr. STERLING. I want to get at Mr. Perkins's idea. How did it improve the labor situation by the change of the ownership of the stock of these several subsidiary companies?

Mr. PERKINS. I do not know that that of itself did it, Mr. Sterling, but I do know that, whatever the causes may have been, the fact remains that the policy of the Steel Corporation since its organi-

zation has been to maintain wages, and, in the face of several sharp reductions in the price at which it has sold its products, of steadily refusing to reduce wages, and this has been so when its competitors have reduced wages.

Mr. STERLING. What particular company are you speaking of?

Mr. PERKINS. The United States Steel Corporation.

Mr. STERLING. The United States Steel Corporation.

Mr. PERKINS. Our policy has been not to reduce wages.

Mr. STERLING. Let me ask you with regard to that, particularly: Suppose a question as to wages came up in any of the subsidiary companies. They do not submit it to the directors of the United States Steel Corporation, do they?

Mr. PERKINS. Yes.

Mr. STERLING. Do you determine whether the wages shall be increased or lowered?

Mr. PERKINS. Our advice is sought and given, and has, I think, practically always been followed in a matter of that sort.

Mr. STERLING. It is simply advice? It is not authoritative?

Mr. PERKINS. That has been the theory on which we have gone; yes, sir.

Mr. STERLING. Do you think wages are higher in the industry in those plants owned by the United States Steel Corporation than they are in the independent companies?

Mr. PERKINS. All things considered, taking the 10 years as the average; yes.

Mr. STERLING. Do you think they are to-day?

Mr. PERKINS. I do not know.

Mr. STERLING. How would a great aggregation of capital be necessary in order to make that improvement in the situation and to bring about an increase of wages?

Mr. PERKINS. I do not think the aggregate of the capital has anything to do with it. It was the aggregate of the men; it was the kind of men that were interested in its formation, gathered together, and able to carry out in a cooperative way the principles that they believed in, in handling the labor situation.

Mr. STERLING. Did it not come about just for this reason, Mr. Perkins? You say it was an aggregation of men. It was an aggregation of men who controlled these numerous subsidiary companies which, before, were competitors; and by uniting them together you wiped out the spirit of competition among them, and thus, in your judgment, improved the situation in the steel business?

Mr. PERKINS. I would not say we wiped out competition among them. They have competed very sharply, but in the spirit of emulation rather than to cut each others throats. These men in these companies have competed in the most earnest way, to improve methods, to bring down costs, to improve the condition of labor, and to maintain wages.

Mr. STERLING. Now, has the Carnegie plant been able to reduce the cost of production in the last 10 years?

Mr. PERKINS. I would not be competent on those figures at all, Mr. Sterling.

Mr. STERLING. Can you specify any reduction in the cost of production of any of the products of the Steel Corporation in the last 10 years?

Mr. PERKINS. No, sir.

Mr. STERLING. What is your opinion about prices generally? I mean about the cost of production generally?

Mr. PERKINS. My general impression is that they have been reduced.

Mr. LINDABURY. Mr. Sterling, we have all those figures calculated, and I refer you again to Mr. Farrell, who can give you the exact information in regard to those things. Of course, this witness could no have it, in the nature of things; but it is at your disposal, in the most precise form.

Mr. STERLING. Do you think the Carnegie Steel Co. is producing cheaper now than it was 10 years ago by reason of the fact that it became a party to this consolidation?

Mr. PERKINS. That would be my impression; yes, sir.

Mr. STERLING. Is the Schoen Co. producing car wheels any cheaper by reason of this consolidation?

Mr. PERKINS. I do not know as to that, Mr. Sterling; but as Mr. Lindabury says, I presume those figures could be furnished you.

Mr. LINDABURY. Mr. Farrell is at the head of the manufacturing business, you know.

Mr. STERLING. I understand. Has the United States Steel Corporation ever contributed any money to any of the subsidiary companies outside of the profits of those companies themselves?

Mr. PERKINS. Yes, sir; it has.

Mr. STERLING. To what ones?

Mr. PERKINS. Well, I could not name any. I can tell you our policy. It has been to loan to this company and that company and the other company, for improvements and extensions, and that sort of thing, whatever sums they might need from time to time to make the improvements that seemed desirable.

Mr. STERLING. You just loan them the money?

Mr. PERKINS. As a rule—according to their organization.

Mr. STERLING. Are all of these several plants producing the same articles they produced at the time of the consolidation?

Mr. PERKINS. Are all of them?

Mr. STERLING. Yes.

Mr. PERKINS. In a general way, my recollection is that they are.

Mr. STERLING. Was it not the disposition of the United States Steel Corporation to divide up the work, giving to each of the companies a special line to which it should confine itself?

Mr. PERKINS. I think there has been very little change in what was done at each place.

Mr. STERLING. Are you familiar with that situation?

Mr. PERKINS. No, sir.

Mr. STERLING. Can you speak of your own knowledge?

Mr. PERKINS. No, sir; you will have to get someone else on that.

Mr. LINDABURY. Please do not answer what you do not know.

Mr. STERLING. You do not know whether they have sought to destroy competition by confining each subsidiary company to the manufacture of one or two particular articles?

Mr. LINDABURY. I want to object to that question—to the part of the question which suggests that that would be destructive of competition. Of course, there would not be any destructive competition as between two companies owned by the same individual.

Mr. STERLING. Oh, surely. Suppose half a dozen companies were making steel plate before the organization and selling it throughout the country everywhere. They unite together, and one of the companies confines itself to steel plate and the other five companies to some other particular product that all of them were making before that time. That would destroy competition in the steel-plate business, would it not?

Mr. LINDABURY. May I answer that?

Mr. STERLING. Yes.

Mr. LINDABURY. Suppose that two companies, both taken over by the Steel Corporation, let us say, were engaged in manufacturing plates and structural steel, and after the corporation took them over, by its direction or advice, as you please, one confined itself to steel plates and the other to structural steel, the total product thereafter in each being greater than the combined product of the two before. There is no suppression of competition, of course.

Mr. STERLING. Yes; but there is no competitor in the business, and they can fix their own prices, and profit to that extent.

Mr. LINDABURY. It would have been just the same if they had gone on.

Mr. STERLING. No; before they were in competition in the production of steel plate, and now that is all made by one company.

Mr. LINDABURY. They would not have been in competition thereafter, even though they had both continued to make the same things that they did before, because they would both be owned by the same owner?

Mr. STERLING. This was a question of the conditions before and after the organization of the company.

Mr. LINDABURY. I think the chairman will agree with me.

Mr. STERLING. You do not know whether that has taken place to any great extent or not?

Mr. PERKINS. No, sir; I would not be able to help you much along those lines.

The CHAIRMAN. Mr. Perkins, what are the advantages in having several hundred vast manufacturing plants under one general supervision? Is it in the easy cooperation between them for mutual protection and mutual defense?

Mr. PERKINS. I think that is one of the advantages, Mr. Chairman; yes, sir.

The CHAIRMAN. That is a legitimate advantage?

Mr. PERKINS. I should say so; yes, sir.

The CHAIRMAN. If it is advantageous that three or four hundred plants, worth from one or two hundred thousand dollars to several million dollars, should each cooperate with his fellow, would it not be to the advantage of the 168,000 men selling their labor to you that they should come to an understanding among themselves and cooperate in the same brotherly way and under the same golden rule that their employers cooperate under? Do you not think so?

Mr. PERKINS. May I ask if you are asking for my personal opinion?

The CHAIRMAN. Any kind of an opinion.

Mr. PERKINS. I never have felt that there was any reason why the laboring men should not get together and cooperate.

The CHAIRMAN. How do they get together and cooperate in this country usually?

Mr. PERKINS. Well, in various ways.

The CHAIRMAN. State one way.

Mr. PERKINS. What is that?

The CHAIRMAN. What is the most usual way?

Mr. PERKINS. I suppose you refer to labor organizations?

The CHAIRMAN. I do. Is it your opinion that labor can protect itself, that the man with the muscle, the brawn, himself a helpless unit, can get a better price for that physical power that you buy by having each of his fellows fix a similar price, if it is a fair one, upon so much human energy? Do you not believe that would be as much to his interest as it is to the interest of his employer to fix a price upon the product of that energy? Do you not think so?

Mr. PERKINS. I have always felt that labor had a right to organize and that there should be no objection to their doing so.

The CHAIRMAN. Has that been the policy of the United States Steel Corporation?

Mr. PERKINS. They have never objected to it, sir.

The CHAIRMAN. Well, let us see whether they have or not. I quote from the minutes of the executive committee of the United States Steel Corporation of June 17, 1901. At that time was Mr. Steele a member of the firm of J. P. Morgan & Co.?

Mr. PERKINS. Yes, sir.

The CHAIRMAN (reading):

The following suggestions were put forth by Mr. Steele, were finally voted upon, and the president instructed to hand it to the presidents—

That is, the presidents of the various subsidiary companies—

That we are unalterably opposed to any extension of union labor and advise subsidiary companies to take a firm position when these questions come up, and say that they are not going to recognize it; that is, any extension of unions in mills where they do not now exist; that great care should be used to prevent trouble, and that they promptly report and confer with this corporation.

Mr. LINDABURY. I understood the chairman to say the other day that he was not going into the labor question.

The CHAIRMAN. I am not. I am just doing this incidentally with the witness. It is just a digression. [Laughter.] I will take up the labor question later.

Does that indicate to your mind any purpose or policy on the part of the United States Steel Corporation with reference to its attitude toward union labor—organized labor?

Mr. PERKINS. Organized labor. It does not; no, sir.

The CHAIRMAN. It does not?

Mr. PERKINS. No, sir.

The CHAIRMAN. Do you mean to tell me that that does not indicate anything; that this Mr. Steele, addressing these directors, Schwab, Gary, Edenborn, Converse, Roberts, and Reed, and they agreeing that they will advise the presidents of these companies that they are unalterably opposed to any extension of union labor, does not indicate any attitude toward union labor, either friendly or unfriendly?

Mr. PERKINS. No hostile attitude toward union labor; no, sir.

The CHAIRMAN. That is, you did not want to keep it from spreading?

Mr. PERKINS. The matter that you refer to was action on the question of the closed shop—whether we would employ both union labor and nonunion labor. The corporation's policy has been to employ

both kinds of labor. We have not discriminated against organized labor; neither have we discriminated against unorganized labor.

The CHAIRMAN. What do you mean by opposing any extension of union labor? If you had an open shop, and some fellow tried to get in and tried to organize, what would happen to him? Would you not oppose him?

Mr. PERKINS. We would not oppose him so far as having organized labor is concerned, but to say that we must run a certain mill only with organized labor, we have always been opposed to.

The CHAIRMAN. Were you not at that time? What about this statement:

> We are unalterably opposed to any extension of union labor, and advise subsidiary companies to take a firm position.

What do you mean by that?

Mr. PERKINS. Was I at that meeting?

The CHAIRMAN. I do not know. I am asking what was the policy.

Mr. STERLING. That was in 1901—before you were connected with it.

The CHAIRMAN. I am asking if that was the policy of this corporation then. Was it not?

Mr. PERKINS. The policy, I am quite sure, as I have stated it, was that we have not been opposed to organized labor. We have been opposed to any attempt to make the corporation run any particular mill or mills exclusively with organized labor.

The CHAIRMAN. Is it not true that at that time the situation was acute; organized labor was well established in the mills of the United States Steel Corporation; there were lockouts and strikes; you wired to Morgan, and he wired to talk to Converse and Widener and Frick; and then at that time, pursuant to this policy, you crushed the labor organizations like eggshells all over the United States? Is not that true?

Mr. PERKINS. Pardon me. There is just about eight years' difference between the beginning and the end of your question. You refer now to a memorandum of 1901. The cable which you refer to from Mr. Morgan, to which you now refer, I suppose, was in 1909.

The CHAIRMAN. In the interval from this time to the time you cabled Morgan was not that your policy—to prevent its extension, to fight it like a prairie fire, and to stop it where it was? When the corporation was organized you submitted, or at least you endured it; but if it ever attempted to spread, you met it at the door?

Mr. PERKINS. I can only testify what the policy has been—and I have been an active participant in it, and so I am clear. We have not been opposed to organized labor. We have been for the open shop, and have recognized both. I believe the chairman himself would feel that we should employ a man who was able to do his work, regardless of whether he was a member of any organization or of any church.

The CHAIRMAN. Oh, the chairman understands that.

Mr. PERKINS. I mean, that is the question.

Mr. YOUNG. Mr. Perkins, I have a few questions to ask. The ground has been so well covered that these will be somewhat desultory, because they will touch little things that in the former examination I thought were not quite cleared up. Early in your examina-

tion you stated that J. P. Morgan & Co. paid interest which was fixed either by you or by the figures taken from the books at 2.6 per cent on the balances of the United States Steel Corporation. I wish to ask if their policy with regard to the United States Steel Corporation in this regard was any different from their policy as to other large depositors about paying interest on daily or monthly balances?

Mr. PERKINS. No, sir.

Mr. YOUNG. Did the Steel Corporation receive any more or any less interest than others carrying similar large accounts?

Mr. PERKINS. No, sir.

Mr. YOUNG. When the matter of the contribution to the tariff league was up you were asked by the chairman if you regarded this as a higher purpose than the contribution to hospitals or eleemosynary institutions. I would like to ask you whether or not the Steel Corporation has regularly, since its organization, contributed to the support of hospitals for the benefit of its own employees?

Mr. PERKINS. Yes, sir; very extensively.

Mr. YOUNG. Was it your belief and the belief of the men who acted with you in regard to this tariff league that the publication for which you paid in part was, among other things, in the direct interest of the corporation itself?

Mr. PERKINS. Yes, sir; and in the general interest, in an educational way, on the subject.

Mr. YOUNG. You would justify that payment on the ground that it was in the interest of the stockholders of the corporation, as well as in the public interest?

Mr. PERKINS. Yes, sir.

Mr. YOUNG. In testifying in regard to the transfer of the Tennessee Coal & Iron Co. stock for second mortgage 5's of the Steel Corporation, in reply to a question from Mr. Bartlett, he indicated by his question that the Tennessee stock was of far greater intrinsic value than the Steel Corporation bonds which were exchanged for it. Answering to another part of the question, you left unanswered entirely this assumption that the Tennessee Coal & Iron stock was of greater value intrinsically than the bonds exchanged for it. Did you mean to do that?

Mr. PERKINS. No. Of course I did not mean to leave unanswered any part of his question.

Mr. YOUNG. What was your idea with regard to that matter?

Mr. PERKINS. May I ask to have it in the form of a question again, so that I can answer it?

Mr. YOUNG. I will put the question, then. In your opinion was the stock of the Tennessee Coal & Iron Co. which you acquired in the purchase on or about the 4th of November, 1907, of greater intrinsic value than the second mortgage 5's of the Steel Corporation which you exchanged for the stock?

Mr. PERKINS. No, sir.

Mr. YOUNG. Which in your opinion was of the greater value at that time?

Mr. PERKINS. At that very moment, my judgment is that the bonds were more valuable than the stock.

Mr. YOUNG. Now, in regard to this bond conversion, you went over that so fully that there is little left to be said, but on talking with

some people around the room I find that it was not entirely understood, so I want to ask you a few questions in regard to these securities of the Steel Corporation. When the Steel Corporation was originally organized did its securities consist of approximately $304,000,000 of first-mortgage bonds, $508,000,000 of preferred stock, and $508,000,000 of common stock?

Mr. PERKINS. Yes, sir; approximately.

Mr. YOUNG. The bonds were a first lien on all of the property of the corporation, were they not?

Mr. PERKINS. I believe so, sir.

Mr. YOUNG. The net earnings under the arrangement by which this corporation was organized and chartered, and so forth, after the payment of the interest on the bonds, were to be applied first, were they not, to the payment of the dividends on the preferred stock?

Mr. PERKINS. After paying the interest on the bonds? You refer to the bonds of the subsidiary companies?

Mr. YOUNG. Yes.

Mr. PERKINS. Yes, sir.

Mr. YOUNG. When I say "net income"——

Mr. PERKINS. You are quite right.

Mr. YOUNG (continuing). I take it that the Steel Corporation did not have any income until those obligations of the subsidiary companies were paid.

Mr. PERKINS. You are quite right.

Mr. YOUNG. Then any income that was left over belonged to the holders of the common stock?

Mr. PERKINS. After the preferred stock.

Mr. YOUNG. After the bonds and the preferred stock?

Mr. PERKINS. Yes, sir.

Mr. YOUNG. Was it also not a part of this plan, and so agreed, that in case of the dissolution of the Steel Corporation, after the payment of the bonds, the proceeds of the sale of the property should be applied first to the payment of the preferred stock at par, and that the remainder should go to the common stock?

Mr. PERKINS. I think the preferred stock is preferred both as to assets and dividends, is it not?

Mr. LINDABURY. That is right.

Mr. PERKINS. That is right.

Mr. YOUNG. I am speaking from memory. It has been a good while ago; but I was pretty familiar with it at the time.

Mr. PERKINS. Yes.

Mr. YOUNG. So there were three grades of securities—the bonds, the preferred stock, and the common stock?

Mr. PERKINS. Yes, sir.

Mr. STERLING. There were first and second bonds.

Mr. YOUNG. Not at this time.

Mr. PERKINS. Not at that time; no.

Mr. YOUNG. When this conversion scheme went through you created a fourth class of securities, did you not?

Mr. PERKINS. Yes, sir.

Mr. YOUNG. That was $250,000,000?

Mr. PERKINS. Yes, sir; $200,000,000.

Mr. YOUNG. Was there $250,000,000 ever issued?

Mr. PERKINS. No, sir.

Mr. YOUNG. Only $200,000,000?

Mr. PERKINS. Yes, sir.

Mr. YOUNG. That $200,000,000 of securities came in between the first mortgage bonds and the preferred stock, did they not?

Mr. PERKINS. Yes, sir.

Mr. YOUNG. Then, after that was done, if there should have been a dissolution of the corporation, if it should have failed, defaulted on its interest and its mortgages had been foreclosed, or anything of that kind, then the proceeds would have been applied, first, to the payment of the first-mortgage bonds; second, to the payment of the second-mortgage bonds; third, to the payment of the preferred stock; and, fourth, to the payment of the common stock?

Mr. PERKINS. That is right.

Mr. YOUNG. If Herbert Knox Smith was in gunshot of the truth when he said that the total intrinsic value of the property of the Steel Corporation at its organization was but $700,000,000, were not those second mortgage bonds a vastly better security than the preferred stock? If he had been anything like right, would there have been anything left for the preferred stock?

Mr. PERKINS. If, as you say, he was correct, I presume there would be something in that contention.

Mr. YOUNG. Under any circumstances they were a safer security than the preferred stock?

Mr. PERKINS. Yes, sir.

Mr. YOUNG. Because they were prior to it?

Mr. PERKINS. Yes, sir.

Mr. YOUNG. And a prior lien on the property?

Mr. PERKINS. Yes, sir.

Mr. YOUNG. Was this one of the reasons that you relied on to induce owners of the preferred stock to exchange a portion of their stock for second-mortgage bonds?

Mr. PERKINS. It was.

Mr. YOUNG. Can you state whether or not a very large proportion of the stock that was exchanged for bonds came from the large stockholders—those who were active in the management of the company?

Mr. PERKINS. I can not from memory; no, sir.

Mr. YOUNG. You made the statement at one period of your examination, or else it was a misstatement in the book—I forget which—that before the scheme was finally adopted you had secured promises or pledges from large stockholders for enough stock so that you knew the scheme would go through as to a portion, at least, of the stock?

Mr. PERKINS. I consulted a number of stockholders, naturally, about the plan, and how they would regard it, before we actually launched it, so to speak.

Mr. YOUNG. Did you consult them about whether they would put in part of their stock—exchange it for the bonds?

Mr. PERKINS. In a tentative way; yes, sir.

Mr. YOUNG. What replies did you get? What was the substance of it?

Mr. PERKINS. It is hard now to recollect so far back, but it must have been that some of them would exchange at least a part of their stock.

Mr. YOUNG. At least you got favorable replies at that time from enough so that you felt there was no doubt of what the result would be, as a whole, in submitting the question to the stockholders?

Mr. PERKINS. I do not know that we felt quite as much as that. We felt it was a fair business risk to undertake, under proper business conditions.

Mr. YOUNG. The fact that this scheme would reduce the expense of the corporation for dividends and interest would have a tendency to increase the value of all of the stock, would it not, and make it a more secure investment?

Mr. PERKINS. We felt that would be the tendency; yes, sir.

Mr. YOUNG. And the stockholders evidently felt it, also, or they would not have voted for it?

Mr. PERKINS. Yes, sir.

Mr. STERLING. Had you paid 7 per cent on the preferred stock right along?

Mr PERKINS. Yes, sir; we always have.

Mr. STERLING. Was there any doubt at that time about the ability to continue to pay it?

Mr. PERKINS. No, sir.

The CHAIRMAN. You say that if the actual value of this company's property was $700,000,000, the second mortgage bonds would have had behind them an equivalent intrinsic value? Do I understand you to say that?

Mr. PERKINS. I do not think that was quite the question.

Mr. LINDABURY. I beg pardon; no. He did not say that. He said they would have had a greater value than the preferred stock exchanged for them would have had.

The CHAIRMAN. What was the total of the Carnegie bonds and the second mortgage bonds?

Mr. PERKINS. Do you mean after this plan was perfected? In round numbers, $500,000,000.

The CHAIRMAN. If you had a bonded debt of $500,000,000 on an actual value of $700,000,000, the persons who held the preferred stock, who did not get in on that deal, would have been in a bad fix in case you had gone into the hands of a receiver, would they not?

Mr. PERKINS. I understood Mr. Young to say that that was on the basis of Mr. Herbert Knox Smith's opinion.

The CHAIRMAN. If Herbert Knox Smith is correct, you were doing plenty for the preferred stockholders who did not get in on that thing?

Mr. PERKINS. If Mr. Herbert Knox Smith was correct?

The CHAIRMAN. Yes, sir; you had put them in the middle of a bad fix; had you not?

Mr. LINDABURY. I submit that is not quite fair.

The CHAIRMAN. I mean, if Herbert Knox Smith is correct, you were bonding your property within $200,000,000 of its actual value; and if your properties had been sold after a $250,000,000 bond issue, you would have had left nothing for your stockholders? Is not that true?

Mr. LINDABURY. I object to that question. I know you do not want to mislead the witness.

The CHAIRMAN. I do not.

Mr. LINDABURY. There would have been $200,000,000 left for $250,000,000 of stock. Of course that would have been the situation. There would have been a deficiency of $50,000,000 on the preferred stock.

The CHAIRMAN. You had out how much preferred stock?

Mr. LINDABURY. $500,000,000; and it was reduced one-half.

The CHAIRMAN. That is $250,000,000 of preferred. How much common did you have?

Mr. LINDABURY. There would have been nothing then for the common.

The CHAIRMAN. The common would have been out in the cold, and the preferred stock would have got about 50 cents on the dollar.

Mr. LINDABURY. No, sir; the preferred stock would have had $200,000,000 of assets for $250,000,000 of stock. That is the situation.

The CHAIRMAN. You are trimming a little, are you not?

Mr. LINDABURY. No.

Mr. BEALL. There would have been $300,000,000 of preferred stock left.

Mr. LINDABURY. The bond issue was $250,000,000.

Mr. BEALL. That left only $200,000,000 to be exchanged for bonds.

Mr. LINDABURY. Yes; you are right.

The CHAIRMAN. In that deal did you take the common stockholder into consideration at all?

Mr. PERKINS. Yes, sir.

The CHAIRMAN. You did not leave him anything, did you?

Mr. PERKINS. We were sure we were materially improving his condition.

The CHAIRMAN. But if your properties had been sold under the hammer, what would his stock have been worth? Would it have been worth the paper it was written on?

Mr. PERKINS. Are you speaking now of foreclosure?

The CHAIRMAN. Yes, sir.

Mr. PERKINS. I do not see that it made any special difference. The preferred stock had preference over it as to assets just the same.

The CHAIRMAN. Exactly; but if you had issued no bonds, your assets would have amounted to enough to have paid your preferred stockholders and left something to go to the common stockholders, would they not?

Mr. PERKINS. It would have been just the same if we had been sold out under the second mortgage bonds and the preferred stock.

Mr. LINDABURY. We proved by overwhelming evidence in that litigation, which is now in evidence, that the assets of the company equaled its total capitalization.

Mr. YOUNG. If you will let me alone a minute I think I will get it so that everybody will understand it.

The CHAIRMAN. I beg your pardon.

Mr. YOUNG. That is all right; but I want to get at that.

Mr. PERKINS. You are quite right, Mr. Chairman.

Mr. YOUNG. So far as the common stockholder was concerned, he was left in exactly the same situation as before, was he not?

Mr. PERKINS. Yes, sir.

Mr. YOUNG. So far as getting anything for his stock was concerned, if the corporation went to pieces?

Mr. PERKINS. Yes, sir.

Mr. YOUNG. You had put in $50,000,000 additional bonds ahead of him; but for that $50,000,000 you received $50,000,000 in cash?

Mr. PERKINS. That is right, sir.

Mr. YOUNG. So you had increased the assets just as much as you had increased the liabilities?

Mr. PERKINS. Yes, sir.

Mr. YOUNG. And his attitude or situation was not changed?

Mr. PERKINS. That is right, sir; that is very clear.

Mr. YOUNG. I suppose you would not accept as accurate Mr. Herbert Knox Smith's figures on the value of this property?

Mr. PERKINS. I would not; no, sir.

Mr. YOUNG. Can you recollect about what the common stock was worth at the time of this conversion?

Mr. PERKINS. You mean what it was selling at in the market?

Mr. YOUNG. Yes.

Mr. PERKINS. No, sir; I do not remember.

Mr. YOUNG. About 40, was it not?

Mr. PERKINS. I really do not remember at all.

Mr. YOUNG. It was not over 40, was it?

Mr. PERKINS. I do not remember that; but it would be easy to get those figures.

Mr. YOUNG. It was worth about 73 or 73½ in this slump, was it not?

Mr. PERKINS. I have not seen the quotations for a day or two, but something like that.

Mr. YOUNG. At all events, it is worth in the market now a great deal more than it was at the time of that conversion?

Mr. PERKINS. Yes, sir.

Mr. YOUNG. So it would seem that the stockholders have not been injured?

Mr. PERKINS. I should hope that that was the result.

Mr. YOUNG. Some questions were asked you with regard to the steel business of England. Is it not a fact that England is the only great steel-manufacturing country where the business is at an absolute standstill or going backward? Have not France, Belgium, Germany, and the United States all advanced, while England has stood still, or gone backward?

Mr. PERKINS. I do not think I am sufficiently well informed upon all those questions to answer that; but my general impression is that that is approximately a correct statement.

Mr. YOUNG. Are you well enough informed to tell us whether it is not a fact that England has also practically stood still for 20 years in her methods of manufacturing iron and steel, while all these other countries have made improvements?

Mr. PERKINS. I think that is quite correct. May I ask Mr. Young if the committee have asked for the figures in regard to the increase in the export business of the Steel Corporation during its existence?

Mr. LINDABURY. The figures have already been given.

Mr. PERKINS. They have?

Mr. LINDABURY. Yes.

Mr. PERKINS. They are rather interesting.

Mr. YOUNG. Mr. Perkins, before you were summoned as a witness by this committee, had you accepted an invitation to deliver an address at Houghton, Mich.?

Mr. PERKINS. Yes, sir; I accepted it last February.

Mr. YOUNG. I see in the Washington Post of Tuesday, August 8, 1911, in an article under a date line of "Houghton, Mich., August 7," what purports to be a copy of a portion of this address which you were to deliver, and which was said to have been read by Prof. McMahon. Have you seen that article in the Post?

Mr. PERKINS. I do not think I have, sir. I do not recall that I have.

Mr. YOUNG. I will read a little portion of it here, and ask you if that is a correct extract from your address. If it is, I want to ask you a few questions about it:

A congressional committee might find it of advantage to the people to inquire:

First. Has the cost of articles made by the so-called "trusts" increased or decreased?

Second. Have wages increased or decreased?

Third. Has labor been more steadily employed and better housed—more generally employed and better satisfied?

Fourth. Have there been fewer failures in the lines of business involved?

Fifth. Have the so-called trusts increased or decreased our foreign trade balance?

Sixth. Have the so-called trusts devised ways and means and provided the capital for saving and utilizing waste products which could not have been done by smaller concerns?

Seventh. Is the tendency to have the ownership of these large companies and the profits made by them enjoyed by a few men or by many men?

Is that a correct extract from your address?

Mr. PERKINS. I recognize it as such, Mr. Young; yes.

Mr. YOUNG. Can you give us any information on any of these questions which you have suggested that it was wise for us to inquire into?

Mr. PERKINS. I suggested the inquiry because I felt that I, and perhaps others, would like the information that might be brought out by such an official inquiry.

Mr. YOUNG. Take the first:

Has the cost of articles made by the so-called trusts increased or decreased?

Can you tell us anything about that?

Mr. PERKINS. My judgment is that the articles manufactured in this country by the so-called "trusts"—and I am speaking broadly now—are selling to-day to the consumer at a lower price than those articles would be selling to the consumer to-day if they had not been manufactured as they are being manufactured by the so-called "trusts."

Mr. YOUNG. Is or is not that true in regard to the Steel Corporation?

Mr. PERKINS. I believe it to be true; yes, sir.

Mr. YOUNG. On what fact is that judgment based?

Mr. PERKINS. On the fact that the frightful waste of competitive methods under present conditions of life would have forced prices on the average, in a period of years, to a higher plane than they have been.

Mr. YOUNG. Is it not a fact that you claim that owing to the economies which the Steel Corporation has practiced, it has in many directions reduced its cost of manufacture?

Mr. PERKINS. It has.

Mr. YOUNG. What can you say as to whether the public have received any benefit from that or whether it has been entirely absorbed by the corporation?

Mr. PERKINS. My belief is that the public have had the benefit—both the consumer and the wage earner.

Mr. YOUNG. The question of the wage earner is one that we will come to later. But what facts, if any, have you on which you base that general statement?

Mr. PERKINS. It was to bring out those facts that I suggested such an inquiry—my general belief from observation being that the inquiry would show that the facts were as I have intimated they might be.

Mr. YOUNG. Then you have not any accurate information on it?

Mr. PERKINS. I have not in my possession at the moment the figures that you suggest.

Mr. GARDNER. May I ask a question just there?

Mr. YOUNG. Certainly.

Mr. GARDNER. Are you familiar with a book or a small pamphlet called "A Decade in American Steel"?

Mr. PERKINS. No, sir.

Mr. BARTLETT. The title of it is "Ten Years of the Steel Corporation," is it not?

Mr. GARDNER. No. It has quite a large number of tables in it, showing the prices since your organization.

Mr. PERKINS. No, sir; I am not familiar with it.

Mr. GARDNER. Mr. Bolling, you probably know the name of the book I am aiming at, do you not?

Mr. BOLLING. I do not think I do accurately, Mr. Gardner.

Mr. LINDABURY. Is it a book by Dow, Jones & Co.?

Mr. GARDNER. Dow & Jones; yes. You are not familiar with it, you say?

Mr. PERKINS. No, sir.

Mr. GARDNER. Enough to say whether the tables and prices contained in it are correct?

Mr. PERKINS. No, sir; I do not know anything about it.

Mr. BOLLING. Mr. Farrell has some figures on this matter. He mentioned to me the fact that the average reduction in price on steel products since the organization of the corporation was between nine and ten dollars a ton—$9 and a fraction.

Mr. YOUNG. The second question which you suggest is:

Have wages increased or decreased?

What do you know about that?

Mr. PERKINS. My judgment is that wages are higher to-day in the average so-called trust than they would have been under old, ruthlessly competitive methods.

Mr. LINDABURY. It appears that they have steadily advanced ever since the organization of the Steel Corporation.

Mr. PERKINS. I beg your pardon—he is talking about principles; not this particular company.

Mr. YOUNG. Do you know as a fact whether, in the Steel Corporation, wages have or have not advanced, on the average, during the last 10 years—during the time of its existence?

Mr. PERKINS. On the average they have advanced.

Mr. YOUNG. Do you know that as a fact?

Mr. PERKINS. Yes, sir.

Mr. YOUNG. Reference was made here a while ago to a cablegram from Mr. Morgan somewhere in France, I think, and it was read. You were asked if you recollected it, and you said you did very well, because it came at a time when you were having a difficulty, or a controversy, with Mr. Corey about some wage matter. What was that? You did not go into it at that time.

Mr. PERKINS. I think I put it a little strongly when I said "difficulty." It is perhaps better expressed as a "difference." There had been a reduction in the price to consumers of commodities sold by the Steel Corporation. Outside companies had just reduced prices, and outside companies, independent companies, had reduced wages. Mr. Corey brought to the attention of the finance committee of the Steel Corporation the fact that the independent companies had reduced wages, and recommended that we reduce wages. I was opposed to that, and Judge Gary was apposed to it, and we had rather a difference as to the policy to be pursued. That difference ran on for some little time, Mr. Corey feeling very positive that we should reduce wages and Judge Gary and myself being just as positive that we should not. The committee were in some doubt, because the independent companies had reduced wages; and the matter was held in abeyance along from day to day. Finally, as it was a matter of sharp difference, Judge Gary consulted Mr. Morgan, who was in Europe, as to how he felt about it. Mr. Frick was in Europe, and Mr. Morgan saw Mr. Frick; and the cablegram which the chairman read was the result of that consultation, saying that they agreed with us that we ought not to reduce wages if we could possibly help it. The matter was settled by our not reducing wages, although the independent people at that time had reduced them.

Mr. YOUNG. Did you afterwards reduce the wages?

Mr. PERKINS. No, sir; we never have reduced them from that day to this.

Mr. YOUNG. Have you not reduced wages at any of your plants anywhere along during any of these bad years, during the panic or at any other time?

Mr. PERKINS. There have been, as I recollect it, at least four distinct depressions in the steel business, when the prices at which the company sold its output to the public were sharply reduced. In only one instance have we reduced wages. That was a year or two after the organization of the Steel Corporation, when Mr. Corey first became president. Since then we have steadily maintained wages, notwithstanding reductions by independent companies and reductions in the selling price of our product to the public.

Mr. YOUNG. Have there been raises in wages since that reduction when Mr. Corey was first made president?

Mr. PERKINS. Yes, sir.

Mr. YOUNG. And have they made up, or have they not made up, the reduction that was then made?

Mr. PERKINS. I have not the figures in mind; but I should say they had fully made up, and more than made up, those reductions.

Mr. LINDABURY. They have very much more than made them up.

Mr. PERKINS. Much more; have they not?

Mr. LINDABURY. Very much more.

Mr. YOUNG. The third question that you raise here is, Has labor been more steadily employed and better housed—more generally employed and better satisfied? What can you say as to that with regard to the Steel Corporation?

Mr. PERKINS. I think, Mr. Young, that its record stands for that. We have had very little labor disturbance—scarcely anything compared to the 10 years preceding the organization of the Steel Corporation. Our people have become very generally interested as stockholders. Many thousands of them are stockholders. I believe an investigation would show that their living conditions are better than they were; and they certainly have had more steady employment than during a corresponding period in the industry before the formation of the Steel Corporation.

Mr. STERLING. What class of stock do they own?

Mr. PERKINS. Both the preferred and the common stock; mostly preferred. It is optional with them, you know, as to whether they own one or the other.

Mr. LINDABURY. Do you know how many employees we have who hold stock?

Mr. PERKINS. Over 30,000.

Mr. LINDABURY. I think the figures is 35,000.

Mr. YOUNG. Over 30,000 employees, you say?

Mr. PERKINS. Over 30,000 of the employees are stockholders in the corporation; 35,000 will probably be nearer the figure.

Mr. LINDABURY. That is my recollection—35,000.

Mr. BARTLETT. In the last report the number is given as 26,363 employees.

Mr. PERKINS. To show how the employees feel when we offer this stock to them, I will state that last January over 12,000 men applied for one share apiece. That is to say, 12,000 men applied to buy one share apiece.

Mr. LINDABURY. My information has been—I do not know where it came from—that it is 35,000 now. I think that is about right.

Mr. BARTLETT. According to this report that Mr. Young read from, the report for 1910, made December 31—

Subscriptions were received from 26,363 employees for an aggregate of 19,229 shares of preferred and 29,119 shares of common stock.

That was December 31.

Mr. LINDABURY. Perhaps that was simply the subscriptions for one year.

Mr. YOUNG. This refers to one year.

Mr. LINDABURY. It does not cover previous holdings, then.

Mr. BARTLETT. I read it that way.

Mr. YOUNG. Yes; this is for just one year.

Mr. GARDNER. Is that entirely new subscriptions?

Mr. YOUNG. I will read the whole thing:

In January, 1911, there was offered to the employees of the United States Steel Corporation and of the subsidiary companies the privilege of subscribing for preferred or common stock. The conditions attached to the offer and subscription were substantially the same as those under which stock had been offered in each of the previous eight years, excepting as to the subscription price, which was fixed at $114 per share for preferred and $70 per share for common stock, and owing to the lesser price at which the common stock was

offered, as compared with the price for preferred, the allowance for special compensation or bonus to be paid subscribers who retain their stock for five years was fixed at $3.50 per share per year for common stock, and $5 per share annually for the preferred stock. Subscriptions were received from 26,363 employees for an aggregate of 19,229 shares of preferred and 29,119 shares of common stock.

That evidently refers to that one year.

Mr. PERKINS. Yes, sir.

Mr. LINDABURY. That is the 1st of January, 1911, apparently.

Mr. PERKINS. Yes, sir. That is the January, 1910, offer.

Mr. LINDABURY. I think the witness's statement ought to go in—the stenographer is taking it, however, of course—that that was for the January, 1910, offer. So that it does not mean the January, 1911, offer.

Mr. PERKINS. No, sir.

Mr. YOUNG. Yes, it does. The language is, "In January, 1911, there was offered," etc.

Mr. BARTLETT. That is the statement in the report.

Mr. YOUNG. That is the statement here.

Mr. PERKINS. What is the date of that report, please?

Mr. BARTLETT. December 31, 1910.

Mr. LINDABURY. Then it could not refer to January, 1911.

Mr. YOUNG. It might. It was the next day.

Mr. PERKINS. Perhaps we did do that. That may be.

Mr. YOUNG. That is what it says here, anyway.

Mr. PERKINS. We will not go back on our official report.

Mr. LINDABURY. It really was not published until May.

Mr. YOUNG. That is what it says, anyway.

Mr. PERKINS. Yes.

Mr. YOUNG. There is a reference in this report to "Special compensation or bonus" on this stock. What does that mean? Does the employee get any more income on his stock than other stockholders?

Mr. PERKINS. Yes, sir.

Mr. YOUNG. What is that? Please explain that.

Mr. PERKINS. I am sure you would agree with my counsel in his belief that I am too willing a witness if I should get started on the profit-sharing plans of the Steel Corporation. I am afraid I should talk a great while if I got started on that.

Mr. YOUNG. I simply want to know briefly what this arrangement is by which they get an extra income.

Mr. PERKINS. It is somewhat complicated, Mr. Young, to put in a few words; but I will boil it down all I can.

Each January for a number of years we have offered a certain amount of stock to the employees at a certain price, they to pay for that in small installments out of their wage envelopes, taking approximately three years to pay for it. We have been anxious to have them retain that stock and to provide some way by which the day laborer could share in the profits of the company. It is very difficult to provide a method by which a day laborer can share in the profits. It is hard to find what he can do other than to be faithful and constant in his work. So the board decided that it was fair to say that if a man so situated began to buy a share of stock and continued in his purpose, and paid for it and retained it, and stayed in the company's

employ for five years, they would pay him at the end of five years a sum of money equal to $5 a share per year on his stock——

Mr. YOUNG. That is, on the preferred stock?

Mr. PERKINS (continuing). On the preferred stock, in addition to the dividends which the company would have declared on his stock.

Mr. YOUNG. That would be $25 per share extra?

Mr. PERKINS. For the five years.

Mr. YOUNG. For the five years?

Mr. PERKINS. Yes, sir; that to be paid to him at the end of five years, provided he had paid up his stock and still had it and was in the employ of the company and had, so to speak, a good standing in his work.

Mr. YOUNG. Does that extra dividend cease at the end of the five years?

Mr. PERKINS. Yes, sir; on that particular stock. But, you see, each year he has a right to go in and subscribe under a new plan; so that he is going along and can be in four or five different years' offers at the same time if he wishes to do so.

Mr. YOUNG. Is there any special percentage of his earnings that he may use in this way? Is it limited?

Mr. PERKINS. Yes, sir. We do not allow him to put in more than 25 per cent; but he can put in as small an amount as he wishes down to a very small percentage. It must not exceed 25 per cent, however.

Mr. YOUNG. That is the common laborer?

Mr. PERKINS. That is the entire organization.

Mr. YOUNG. As the salary increases, does not the percentage run down?

Mr. PERKINS. No, sir.

Mr. YOUNG. It used to.

Mr. PERKINS. Oh!—the percentage of the stock that he can acquire? Yes, sir. I thought you meant what he could pay out of his wages. The percentage that he can acquire does decrease.

Mr. YOUNG. The superintendent, for instance, who gets $10,000 a year, can not put $2,500 a year into this special stock upon which he gets $25 a share extra?

Mr. PERKINS. No, sir; "the higher the fewer."

Mr. YOUNG. The percentage of his salary which he can use for that purpose goes down as the salary rises?

Mr. PERKINS. Yes. The schedule is in favor of the day laborer.

Mr. YOUNG. This fourth question is [reading]:

Have there been fewer failures in the lines of business involved?

Mr. PERKINS. Might I say that that is self-evident?

Mr. YOUNG (reading):

Fifth. Have the so-called trusts increased or decreased our foreign trade balance?

What do you know about that?

Mr. PERKINS. There is no question about the amount by which they have increased it.

Mr. YOUNG. Why do you say that? On what facts do you base that statement?

Mr. PERKINS. I asked here a few moments ago, and some one said the steel figures have been put in. May I ask if they have?

Mr. BARTLETT. The export figures have; yes, sir.

Mr. YOUNG. They have been asked for, whether they were put in or not.

Mr. LINDABURY. Oh, yes. The prices in some details that you wanted are being gotten up; but the amount of the export trade has been put in already. Judge Gary and Mr. Schwab, I think, also testified as to the increase in the export business.

Mr. YOUNG. What reason have you to think that there would not have been the same increase in the export trade if the Steel Corporation had not been organized, and the independent companies had gone on as they were previously going on?

Mr. PERKINS. Because I think that a study of the foreign business shows that the ability to handle it under our present, modern business methods depends on doing it on a very large scale. I think the only bridge that will span the ocean is the corporation.

Mr. YOUNG. Many of these independent concerns, part of which have been taken into the Steel Corporation, and part of which are out, are very large concerns, are they not, with large capital—for instance, Jones & Laughlin?

Mr. PERKINS. They are of large capital.

Mr. YOUNG. Could not they do that business?

Mr. PERKINS. The facts would seem to bear out the statement that they could not. My recollection is that they only export about five or six per cent of the steel that is exported.

Mr. LINDABURY. I remember that that specific figure appears—that the Steel Corporation exports 95 per cent of all of the steel that is exported from this country.

Mr. YOUNG. I think that is true.

Mr. LINDABURY. That is the evidence that has been given.

Mr. YOUNG. That is what I mean; yes. Do they obtain that large foreign export business by selling abroad at lower prices than any of their competitors sell abroad? Is that the way they have obtained it?

Mr. PERKINS. That question is not the fundamental question of developing the foreign trade; it is a matter of organization and study and specializing for foreign business.

Mr. YOUNG. Can you answer the question whether, as a matter of fact, you know?

Mr. PERKINS. No, sir; I am not familiar with that branch of the business.

Mr. YOUNG. That is a matter which comes under Mr. Farrell?

Mr. PERKINS. Yes; he would be much more competent to answer it.

Mr. YOUNG. He has had charge of that branch of the business, has he not, for a good many years?

Mr. PERKINS. Yes, sir.

Mr. YOUNG. So your information on that head is simply general information?

Mr. PERKINS. Yes, sir.

Mr. YOUNG. Your seventh suggestion is:

> Is the tendency to have the ownership of these large companies and the profits made by them enjoyed by a few men or by many men?

What can you say on that proposition?

Mr. PERKINS. My belief is, and my experience shows, that the tendency is to have these corporations owned by a great many people in place of the same corresponding businesses being owned by a few

people in a partnership. I think that is one of the most interesting developments of modern business on a large scale—that the public have become more and more owners of the business.

Mr. YOUNG. If there were such governmental control as would require full statements of their condition from all corporations engaged in interstate commerce, so that the general public might have some reliable source of information as to what the actual condition of these companies was, do you think that would or would not encourage the ordinary man to invest money in the stocks of these companies?

Mr. PERKINS. I think it would encourage him.

Mr. YOUNG. Do you think such information could be made by the Government of such a nature that men in moderate circumstances could safely rely on it and put their little earnings into investments of that kind?

Mr. PERKINS. I do.

Mr. YOUNG. Do you think that would be a good thing to do?

Mr. PERKINS. I do.

Mr. YOUNG. What has been the tendency of the Steel Corporation as to increase or decrease of stockholders since its organization?

Mr. PERKINS. To increase.

Mr. YOUNG. How large has that increase been?

Mr. PERKINS. Very large.

Mr. YOUNG. I see an article here which I clipped from the Boston News Bureau of August 5, 1911—it is on the question of the distribution of stock of large corporations—in which they take 177 companies, and the claim is made that 10 years ago the average holding in those whole 177 companies was a little over $18,000, while it is now $8,843. That is, there has been an increase in the whole 177 companies in the number of stockholders; the stockholders have more than doubled in number. Have you noticed that tendency in regard to the higher class of securities?

Mr. PERKINS. Yes, sir.

Mr. YOUNG. Have you studied this question, so that you could say intelligently whether or not these expansions of small holdings have come when stocks were at the top or at periods of depression?

Mr. PERKINS. I have never made a study of that matter, but my impression is that it has come when there has been a depression. I recollect that the increases in the Steel Corporation have come when the price has been low.

Mr. YOUNG. The statement is made in this article—and I wish to call your attention to it; I am not offering this as any proof, but to see if you can tell us anything about it—that the great accession of stockholders has been, of course, from the plain people and its progress was immensely accelerated by a bargain-making panic—the times when the standard railroads gained 300 to 500 holders a day. Just after the panic 50 large companies had 80 stockholders for each million of stock, against 65 stockholders for a million of stock a year before. In 1908 and 1909 prices were high. The small stockholder naturally took some of his handsome profits. One hundred and ten companies that in 1908 had each 93 holders per million of stock had but 86 a year later. The mid-year low prices of 1910 coaxed the small fry in again; and frequently since they have been the market's

backbone. Thus, fifteen large companies have 400,000 holders to-day as against 371,000 last fall.

Do you know anything about that as a general proposition?

Mr. PERKINS. My observation is that that is a fairly accurate statement.

Mr. YOUNG. I think that is in contrádiction of the general opinion. I think the general opinion through the country is that the little fellow is coaxed in when things are at the top, and fleeced and forced out at the bottom. In your experience in the banking business have you acquired any information on that subject, or could you do it from an examination of the books of any banking firm with which you are connected? It might be interesting to me.

Mr. PERKINS. I do not know that the banking connection would show that as well as the records of the corporations themselves. I know that in the case of the Steel Corporation the number of stockholders has increased when prices have been lowest—which, it seems to me, would be very good evidence that the public were pretty discriminating as to when to buy.

Mr. LINDABURY. Do you mean they have increased more than at other times?

Mr. PERKINS. Yes, sir.

Mr. YOUNG. As to this matter of the holding of stock by employees: What effect, if any, do you think that has on the employee as an employee—whether it renders him more valuable than otherwise.

Mr. PERKINS. I think it has a decidedly beneficial effect on him, not only as an employee but as a citizen. It teaches him to save, and to save systematically, with the inducement of an ultimate investment, and a feeling that he is becoming an actual partner in the business in which he is employed. I take it that it would be a self-evident fact that if you could have a business in which every man who was working in it was a real partner, and his mind each day was directing his hands from that viewpoint, no one could question the advantage of that arrangement to the business in question.

Mr. YOUNG. I have seen the statement made by some gentlemen who are prominent in labor circles that the stock holding of employees was really a sop thrown out to prevent strikes and make a few friends among the employees, so as to break up any organization. Do you think it has that effect?

Mr. PERKINS. I do not; but I have seen the same statement.

Mr. YOUNG. Do you think it has any effect upon the matter of strikes?

Mr. PERKINS. Yes, sir.

Mr. YOUNG. In what way?

Mr. PERKINS. I think it makes the men more competent to pass intelligently on the questions that might be involved in a contemplated strike.

Mr. YOUNG. How so?

Mr. PERKINS. They regard the questions from the standpoint of a partner rather than from the standpoint of a mere hireling. They are not looking at the matter from the standpoint of the old antagonistic question of: "Well, what does this mean to me? I get all I can out of this, and when I go home to-night that is the end of it." They weigh it.

Mr. YOUNG. Ordinarily, are not the wages received by the employee so much larger than any possible income that he could receive from the stock he has acquired that the stock income is a matter of comparative indifference to him?

Mr. PERKINS. It is not the stock income, Mr. Young; it is the investment he is making. The man who is working on a small wage has not much inducement to save money; there is not much offered to him in the way of opportunity to save money. About all he can safely do is to go and put it in a savings bank and get a small rate of interest. If he puts a dollar or two a week in there, it is a pretty discouraging sort of a line to be working on. Under this plan he is gradually acquiring a share of stock that is going to pay him 12 or perhaps 15 per cent income on his investment after he has made it; and it offers a very handsome inducement to him.

The CHAIRMAN. Does your stock pay 12 or 15 per cent?

Mr. PERKINS. To the employee; yes, sir. He gets his 7 per cent, Mr. Chairman, and the extra 5 per cent that he is allowed because he is a worker in the business.

Mr. GARDNER. I think you said, though, that that only lasts five years?

Mr. PERKINS. That lasts five years.

Mr. GARDNER. The extra payment?

Mr. PERKINS. Yes, sir. After that it is 7 per cent. But you see, as I said, it is a complicated matter. These $5 amounts are paid in each year on all the shares that are taken in a particular year; and they are paid each year, year by year for five years. If a man drops out by death or otherwise during the five years, the company goes on putting in these $5 payments; and the amounts that are forfeited in that way by those retiring are divided among the men who persist and keep their stock and are with the company. So that, distributed over a period of time, means more than simply 12 per cent for the first five years.

Mr. YOUNG. That is a sort of a life insurance idea, is it not?

Mr. PERKINS. Yes, sir; that is where it came from.

Mr. LINDABURY. More than that, for a good many years they got the preferred stock below par. Some of them bought quite a good deal of it 55, 60, and 70, I think. That has not been in recent years.

Mr. YOUNG. How low did your preferred stock ever go?

Mr. PERKINS. I do not remember; in the neighborhood of 50, I think, at some time or other.

Mr. YOUNG. Forty-nine, was it not?

Mr. PERKINS. I guess it did; yes.

The CHAIRMAN. It went to 44.50, did it not?

Mr. YOUNG. No; it never went there.

Mr. LINDABURY. Forty-nine is the lowest; that is right.

Mr. YOUNG. When was that with reference to the time this conversion plan went through?

Mr. PERKINS. Not long after the conversion plan was undertaken.

Mr. YOUNG. About that time did you stop paying dividends on the common stock?

Mr. PERKINS. Yes, sir.

Mr. YOUNG. Why was that done?

Mr. PERKINS. Because the earnings of the company did not justify the continuance of them.

Mr. YOUNG. How long was the period during which you paid no dividends on the common stock?

Mr. PERKINS. I do not recall; not long.

Mr. YOUNG. About a year—more than a year, was it not?

Mr. PERKINS. A little longer than a year, I should say.

Mr. LINDABURY. Two or three, was it not—two years, possibly?

Mr. PERKINS. I would not say from recollection.

Mr. STERLING. Mr. Perkins, how many people own the $1,400,000,000 stock of the United States Steel Corporation?

Mr. PERKINS. That would be a wild guess, Mr. Sterling.

Mr. YOUNG. There is not that amount of stock.

Mr. PERKINS. No; there is only $850,000,000 of stock.

Mr. STERLING. That is right; but do you know how many stockholders there are, or about how many?

Mr. PERKINS. Our records show that there are over 100,000, and I suppose that would mean that there are really 200,000.

Mr. GARDNER. Why?

Mr. PERKINS. Because stock certificates on our books of 10 shares are probably owned by several people. That is especially the custom abroad.

Mr. STERLING. What about the stockholder that owns more than any other man? What is the highest amount that any one man owns?

Mr. PERKINS. I really do not know, but I should say a holding of 10,000 or 20,000 shares would be very large.

The CHAIRMAN. You speak of stock held abroad. What percentage of your stock is held abroad?

Mr. PERKINS. Mr. Bolling thinks that according to the last figures he saw, about 20 per cent of the common stock was held abroad.

The CHAIRMAN. Do your books show how much of that was held by the late King of England, or how much is held by the present King of England?

Mr. PERKINS. Oh, we would not have any way of knowing that, Mr. Chairman.

Mr. LINDABURY. Nothing stands recorded in the name of either.

Mr. YOUNG. Is it not also a fact, when you come to the number of stockholders, Mr. Perkins, that a great many shares of stock are held, for instance, in the names of brokers or bankers?

Mr. PERKINS. Yes, sir.

Mr. YOUNG. They hold it as security for loans from a great many people, perhaps?

Mr. PERKINS. Yes, sir; that is quite true.

Mr. YOUNG. And you have no means of knowing who the people are?

Mr. PERKINS. No. That is why I said that if our books show 100,000 there are probably 200,000 actual owners of that stock. I think probably that is a low estimate.

Mr. YOUNG. I think that is all I wish to ask.

Mr. GARDNER. Can you tell me what commission the original syndicate which formed the United States Steel Corporation received for its services?

Mr. PERKINS. No, sir.

Mr. YOUNG. That appears in our record.

Mr. GARDNER. No; it does not.

Mr. YOUNG. The number of shares appears.

Mr. GARDNER. Nothing appears in our record to show that. There is a discrepancy between Mr. MacRae's calculations and those of Mr. Herbert Knox Smith. That is why I wanted to get at it. Were you a partner in the firm of J. P. Morgan & Co. at the time?

Mr. PERKINS. No, sir.

Mr. GARDNER. Who can give us that information?

Mr. LINDABURY. We can.

Mr. PERKINS. I really do not know.

Mr. LINDABURY. Counsel will furnish it if it is desired, I suppose. No; it may not appear by our books, either.

Mr. YOUNG. Let me ask you a question——

Mr. GARDNER. It does not appear by your books?

Mr. LINDABURY. No; I was going to say that I would undertake to furnish it, if we could, from the books of the Steel Co.; but perhaps we can not. I do not know.

Mr. YOUNG. Mr. Lindabury, it is not a fact that what they received was a certain amount of stock?

Mr. LINDABURY. Yes.

Mr. YOUNG. And of course you would not know, and nobody but the parties themselves would know, how much they received for the stock?

Mr. LINDABURY. No.

Mr. YOUNG. But you could tell what the market value of the stock was at that time.

Mr. GARDNER. Who can tell us the whole facts—that is to say, what they received, how much of that they sold on the market, and how much they retained? It would require some member of the firm of J. P. Morgan & Co. at that time, I take it, to give us that information, would it not?

Mr. LINDABURY. I should think so. I had not thought about it.

Mr. GARDNER. It is not in your records, as a matter of fact?

Mr. LINDABURY. No; it naturally would not be.

Mr. GARDNER. That is the only question I wanted to ask.

Mr. BEALL. Mr. Perkins, I want to ask you a few questions. It may be that you have answered them already to some extent.

Mr. PERKINS. That makes no difference.

Mr. BEALL. How many members were there of this bond-conversion syndicate?

Mr. PERKINS. I do not recall, Mr. Beall.

Mr. BEALL. About how many?

Mr. PERKINS. I have not the slightest idea.

Mr. BEALL. Something over 20?

Mr. LINDABURY. Mr. Perkins was not with J. P. Morgan & Co. then.

Mr. PERKINS. No; he is speaking about the bond-conversion syndicate.

Mr. LINDABURY. Oh! I beg your pardon. I do not know. He may know that.

Mr. PERKINS. No; I do not remember.

Mr. BEALL. Do you know how many of this syndicate were also members of the board of directors of the United States Steel Corporation?

Mr. PERKINS. No, sir.

Mr. BEALL. Can you name any who were then directors of the Steel Corporation who were also members of the bond syndicate?

Mr. PERKINS. No, sir; I can not.

Mr. BEALL. Refreshing your recollection, is it not true that there were about seven of the directors of the United States Steel Corporation that were members of the syndicate?

Mr. PERKINS. I have not the slightest recollection about it, Mr. Beall.

Mr. BEALL. How many members of the firm of J. P. Morgan & Co. were also members of the bond syndicate?

Mr. PERKINS. The firm was a member.

Mr. BEALL. Do you know whether anybody else was?

Mr. PERKINS. No, sir.

Mr. BEALL. Was it a member as a firm?

Mr. PERKINS. Yes, sir.

Mr. BEALL. Or as an individual? As I understand that transaction, stock on the outside had to be produced and offered within the period of 30 days in order to be converted into the bonds?

Mr. PERKINS. I do not remember the period of time, but it had to be produced.

Mr. BEALL. I think I got that from that opinion.

Mr. PERKINS. Yes; that may be.

Mr. BEALL. The members of the syndicate had an option extending for about 21 months? Is that your recollection?

Mr. PERKINS. I do not recall. The opinion would show that, I suppose.

Mr. BEALL. The members of the syndicate, as I understood your statement, were obligated to the extent of producing for this transfer about $80,000,000 of the stock?

Mr. PERKINS. Yes, sir.

Mr. BEALL. It was optional with them as to whether they produced any more than the $80,000,000? As to the other $120,000,000, they could produce it or they need not produce it, just at their pleasure?

Mr. LINDABURY. You have not it before you; but that is an error.

Mr. BEALL. I should be glad to have a correct statement. That was my understanding of it.

Mr. LINDABURY. They could not have offered a share besides that. I mean, they could not have forced the acceptance of it.

Mr. BEALL. No; as a syndicate they could not have forced the acceptance of it. But the stock was wanted, and if they had produced more than the 80,000 shares it would have been accepted?

Mr. LINDABURY. That would have depended upon how the market went.

Mr. PERKINS. No; that would depend upon whether the other stockholders took it or not.

Mr. LINDABURY. Yes—upon both.

Mr. PERKINS. The people who had the option were all the stockholders. If every stockholder had taken his 40 per cent, then everyone would have had the same amount of bonds; and that is what everyone had the right to do. The syndicate was organized to underwrite and take such 40 per cent, so to speak, as other people did not take. That was the principle of it.

Mr. BEALL. Their obligation extended up to 80,000 shares.

Mr. LINDABURY. They were to take such as the people did not take up to 40 per cent?

Mr. PERKINS. That is it.

Mr. LINDABURY. That is, their obligation was thus limited.

Mr. PERKINS. Yes, sir.

Mr. BEALL. How much of this $200,000,000 worth of stock did the syndicate actually collect and deliver for this exchange?

Mr. PERKINS. I do not recollect, Mr. Beall.

Mr. BEALL. In the event that the owners of the stock did not come in and surrender it for the purpose of effecting a transfer, how was this syndicate supposed to procure the stock?

Mr. PERKINS. Each party, in joining this syndicate, by that act deposited his stock.

Mr. BEALL. Did the members of the syndicate have as much as $80,000,000 of preferred stock?

Mr. PERKINS. I do not recollect how much was deposited, but a person entering the syndicate of course deposited the amount of stock that he subscribed to the syndicate for, whatever that might be—little or much.

Mr. BEALL. If it did not amount to as much as $80,000,000 of stock, how were they to get the balance, provided other stockholders did not come in and voluntarily surrender it to them?

Mr. PERKINS. I suppose they would have had to buy it in the market.

Mr. BEALL. They would have had to go out on the market and buy it?

Mr. PERKINS. I presume so.

Mr. BEALL. How was the difference between this $80,000,000 that the syndicate obligated themselves to supply, and the total of $200,000,000, supposed to be procured?

Mr. PERKINS. Every stockholder had the option of depositing 40 per cent of his stock.

Mr. BEALL. I understand.

Mr. PERKINS. It was supposed to have come from that.

Mr. BEALL. Assuming that that voluntary deposit was not sufficient to make up this difference of $120,000,000, how was it contemplated that that deficit would be supplied?

Mr. PERKINS. I do not recollect.

Mr. LINDABURY. Shall I answer that?

Mr. PERKINS. Yes; if you can. I do not recollect just how that was.

Mr. BEALL. I suppose by purchase.

Mr. LINDABURY. No; the conversion to that extent would fail. In other words, the plan contemplated the conversion of $200,000,000 if stockholders of that amount elected to convert. There was, however, under this syndicate plan a guaranty of its success to the extent of $80,000,000. But the guaranty went no further. So that if no preferred stockholders had elected to exchange, the plan would have failed except as to the $80,000,000.

Mr. BEALL. They would have had to go on the market and buy the $80,000,000 of stock unless the members of the syndicate put it up out of their own stock holdings?

Mr. LINDABURY. They might or might not. They might have left it right there. So far as it went it would have been effective. There

simply would not have been a conversion of the $200,000,000. But it was effective in so far as it went, no matter where it stopped. In fact, it never did go to the extent of $200,000,000, you know. It stopped at $150,000,000. That is, a large number of stockholders made the conversion, and the syndicate made up their balance in whole or in part, and there it stopped. So that it was not completely carried out, in that the whole $200,000,000 was not converted.

Mr. BEALL. The point I was driving at is that somewhere in the transaction it was contemplated that if these stockholders did not come in and voluntarily surrender their 40 per cent, somebody, somehow, somewhere, would have to go out and get it, at least to the extent of $80,000,000?

Mr. PERKINS. No, sir.

Mr. LINDABURY. No.

Mr. BEALL. The syndicate would have to supply it up to that point?

Mr. PERKINS. That was an assured thing at the beginning of the syndicate. That is what the syndicate was for.

Mr. BEALL. I understood it was to guarantee that.

Mr. LINDABURY. It was a guarantee of success to the extent of $80,000,000.

Mr. GARDNER. Was it an absolute surrender to the extent of $80,000,000? That is, was it not only a guaranty, but was the actual stock deposited?

Mr. PERKINS. Yes, sir.

Mr. GARDNER. That is, the syndicate turned in $80,000,000 of preferred stock?

Mr. PERKINS. Exactly.

Mr. LINDABURY. No; that is not so.

Mr. PERKINS. They did not finally turn it in, but they were obligated to.

Mr. LINDABURY. They turned it in to the syndicate managers.

Mr. GARDNER. I thought the contract said it was deposited with J. P. Morgan & Co.

Mr. LINDABURY. Yes; but that is not the syndicate.

Mr. PERKINS. That is right.

Mr. BEALL. I am not sure that I understand it yet. At the time this syndicate was formed, was that stock deposited?

Mr. PERKINS. With the syndicate managers.

Mr. BEALL. Did the syndicate managers have the right to deposit it at any time within the 21 months?

Mr. LINDABURY. No, sir.

Mr. PERKINS. The syndicate managers were carrying out that contract for the Steel Corporation as bankers.

Mr. BEALL. Yes.

Mr. PERKINS. And it was with them that the members of the syndicate made the contract. But that is not the syndicate.

Mr. LINDABURY. I can make it plain to you, I think. You see, the preferred stockholders had an option for a year and a half, or something like that, of converting 40 per cent of their preferred stock into bonds. If every stockholder had done it, that would have used up all the convertible stock, and the syndicate would have had their $80,000,000 on their hands, which might easily have happened had the market gone one way or the other. The guaranty contemplated

this: That at the end of the period of a year and a half, or whatever it was, and not until that time, the syndicate could be called upon to put up the deficiency. Then they could have been called upon to put up whatever deficiency there was up to $80,000,000. That is the whole plan.

Mr. PERKINS. That is it.

Mr. BEALL. And they were not required to deposit the $80,000,000 at the time the syndicate was formed?

Mr. LINDABURY. Oh, yes; they were; with J. P. Morgan & Co.

Mr. BEALL. With J. P. Morgan & Co.?

Mr. LINDABURY. As the managers, with whom the contract was drawn.

Mr. PERKINS. They parted with the control of that stock so far as they were concerned.

Mr. LINDABURY. And Morgan & Co. held it in trust to meet the obligation?

Mr. PERKINS. That is right.

Mr. BEALL. At the time that syndicate was formed, or about that time, or at the time it began its operations—about May, 1902, I think——

Mr. LINDABURY. I do not remember the exact date.

Mr. BEALL (continuing). The Journal of Commerce, of New York, gives the price of the common stock as 41 and the price of the preferred stock as 91. Is that about right?

Mr. LINDABURY. I think it is. That is my recollection.

Mr. BEALL. A year after that—the 15th of May, 1903—the common stock was 33⅞ and the preferred was 84¼. November 14, 1903, six months, I believe, after the quotation I have just read, the common was 10¾ and the preferred was 52⅛. December 15, 1903, the common was 10⅝ and the preferred was 53½.

Now, Mr. Perkins, between the dates of May 15, 1902, and November 15, 1903, the price—the value—of the common stock diminished, depreciated, from 41 to 10¾, and of the preferred stock from 91 to 52⅛. What explanation can you give for that very marked decrease in the value of these two stocks?

Mr. PERKINS. The equally marked decrease in the output, in the tonnage, of the Steel Corporation, resulting in the passing of the common dividend.

The CHAIRMAN. Right there, do you think this bond conversion had anything to do with it?

Mr. PERKINS. No, sir.

The CHAIRMAN. Well, did not the Steel Corporation itself, its officers, find that the bond conversion, that this very contract, had been injurious to the Steel Corporation's credit, and hurtful to the interests of the stockholders?

Mr. PERKINS. No, sir.

The CHAIRMAN. I will read you a letter. Was Judge Gary authorized to speak for your corporation at that time?

Mr. PERKINS. He always has been, sir.

The CHAIRMAN. I want to read you a letter to go into the record at this time. This appears on your minutes of the finance committee of December 1, 1903.

Mr. YOUNG. What is the date?

The CHAIRMAN. This is from the minutes of December 1, 1903, and the letter is dated November 19, 1903. It reads as follows:

NOVEMBER 19, 1903.

Messrs. J. P. MORGAN & Co.,
New York City.

DEAR SIRS: Referring to your contract with this corporation covering the conversion of its preferred stock into the new 5 per cent bonds, the prices of the two securities have become so widely separated that we feel justified in bringing the situation to your attention.

The contract was entered into with almost the unanimous approval of the stockholders of the corporation, and its validity and propriety in every respect have been sustained by the courts in the bitter litigation which has been prosecuted against the corporation. Nevertheless, in view of the interest of yourselves and your associates in the success of the corporation, we think it not improper to suggest that the continuance of the conversion at the present wide disparity in prices may be injurious to the corporation's credit and hurtful to the interests of its stockholders.

We believe that the operations of the syndicate up to this time have resulted in great and permanent benefit to the corporation, but in view of the present abnormal price conditions, which could not have been foreseen, we think any further conversions at this time might not be for the corporation's advantage, and that you may therefore feel justified in surrendering the contract.

Should you accede to our suggestion and surrender the contract, the corporation will, of course, hold you harmless against any claims of syndicate participants by reason of such surrender.

Yours, very truly,

E. H. GARY,
Chairman of Board of Directors, United States Steel Corporation.

I will read you now the reply to this letter.

Mr. LINDABURY. What is this; Mr. Morgan's reply?

The CHAIRMAN. Yes. This reads as follows:

NEW YORK, *November 19, 1903.*

Hon. E. H. GARY,
Chairman of Board of Directors, United States Steel Corporation,
No. 71 Broadway, New York.

DEAR SIR: We are in receipt of your letter of this date, suggesting that we surrender to the United States Steel Corporation our contract for conversion of its preferred stock into the new 10-60 year 5 per cent sinking fund gold bonds.

We appreciate the disadvantage of continuing the conversion at the present market prices, and we are therefore willing, and hereby consent, to cancel and terminate said contract beyond conversion of the amount of $150,000,000, which is now nearly completed. This, of course, is upon condition that your corporation shall hold us harmless, as stated in your letter, and this correspondence shall constitute the binding agreement of both parties according to its terms.

Yours, very truly, J. P. MORGAN & Co.

Mr. LINDABURY. Now there is another fact that ought to come out, and that is that the bonds had not depreciated anything like as much as the stock, and therefore this contract had become one of immense value to the syndicate, but it was voluntarily given up by them.

The CHAIRMAN. That is exactly what I am driving at.

Mr. LINDABURY. Yes.

The CHAIRMAN. The syndicate found it was to its interest to depreciate the bonds and the stock, and the stock did depreciate—the preferred stock—from 92 down to 50 or 51, and the common stock from 44½ down to 10½, and you were beset with the most strenuous litigation; to quote the language of Judge Gary's letter—"bitter litigation." The conversion had become injurious to the credit of the corporation and hurtful to the interests of the stockholders. That

was the effect of it; to such an extent that the corporation was forced to ask the syndicate to turn loose its hold.

Mr. PERKINS. Is that a question?

Mr. LINDABURY. I am sure, Mr. Chairman, you would not want to be unfair or to make any statement that was not correct.

The CHAIRMAN. No, sir.

Mr. LINDABURY. There are some parts of your statement there which are unfair. For instance, the bitter litigation is that which is covered in the reports that I have put in, and which was all over in a few weeks after the plan was announced, and had been over for a year and a half before these letters were written—entirely over. Now, it is not fair, because there is not the slightest basis for it——

The CHAIRMAN. I hope you will not criticize it too harshly.

Mr. LINDABURY (continuing). To suggest that the syndicate depreciated either the bonds or the stocks by its action under this contract; and as against these suggestions is the fact that when the depreciation began to turn immensely in favor of the syndicate they voluntarily gave up the agreement without any compensation whatever.

Mr. YOUNG. They still were entitled to deliver something like $50,000,000 of bonds under the contract?

Mr. PERKINS. To receive $50,000,000 of bonds and deliver $50,000,000 of stock.

Mr. LINDABURY. Yes; when the stock was worth only 50; and the bonds were worth what then?

Mr. PERKINS. A great deal more.

Mr. YOUNG. About 80, I believe.

Mr. PERKINS. I do not recollect that.

The CHAIRMAN. I know that Mr. Lindabury does not mean anything personal in regard to the chairman. I speak here sometimes and express myself rather strongly.

Mr. LINDABURY. I mean to say that I did not mean to challenge your entire good faith in what you said, Mr. Chairman, but only to correct.

The CHAIRMAN. I am sure that Mr. Lindabury would not say that I would make an unfair statement.

Mr. LINDABURY. Oh, no; I have not heard you do that in an hour.

Mr. GARDNER. I want to call the attention of the chairman to one thing particularly, to clear up my own mind. It seems to me that this should be considered by those people who think this was an unfair trade when it was inaugurated, that it would be unfair to the holders of preferred stock, and would therefore be to the advantage of the holders of the common stock, they being the residuary legatees; and if the assumption that it was an unfair trade is true, its effect would have been to raise the price of the common stock rather than to lower, that the fact that the Steel preferred and Steel common at that time were selling at the figures that have been named had nothing whatever to do with this plan, as I think can be shown from the fact that other securities of other corporations had suffered a sharp decline during these same periods of time.

Mr. LINDABURY. Would you mind letting the witness tell what the business condition was in that year, 1903?

Mr. DANFORTH. I think we would like to hear.

Mr. PERKINS. I think you gentlemen all will recall that there was a very severe industrial depression on in this country at that time.

Mr. YOUNG. 1903?

Mr. PERKINS. 1903.

Mr. DANFORTH. Was that true of all securities?

Mr. PERKINS. It was true of all securities in almost all lines of business.

Mr. DANFORTH. It was not confined to industrials at all?

Mr. PERKINS. It was confined to the general business of the country.

Mr. LINDABURY. Erroneously alleged to have been due to the passage of the Wilson bill.

Mr. DANFORTH. In 1903?

Mr. LINDABURY. No; 10 years before. I said erroneously.

Mr. YOUNG. Just one more question that I want to ask Mr. Perkins right there. When the depreciation of the stock and the much less depreciation of the bonds occurred, which would have been so immensely profitable to the syndicate if they had completed that conversion and taken the other $50,000,000 of bonds, why did they not do it? Why did they not complete it when they had that contract with the Steel Corporation?

Mr. PERKINS. J. P. Morgan & Co. had been from the beginning of the Steel Corporation its fiscal agents.

Mr. YOUNG. Its financial agents?

Mr. PERKINS. Yes. They felt in honor bound, from that point of view, as the organizers, and as honorable business men, to do the fair thing, always, by their clients. The only inference that I can possibly see that the chairman could make out of this correspondence of Judge Gary's is that it was in some way injurious at that time to continue the steel conversion plan. The only reason why it was injurious was because the bonds which were going to be issued in exchange for the preferred stock were selling much higher than the preferred stock, and, of course, in the trading in the bonds that great disparity existing was bringing down all the while the price of the bonds in the market. That was the place where it might, if continued, have affected the credit of the corporation. No one the previous year could have foreseen the enormous change in industrial conditions in the United States, and the bankers, being the fiscal agents, agreed with the finance committee of the Steel Corporation to discontinue the plan, and it was publicly discontinued.

Mr. BEALL. Mr. Perkins, if I may be permitted now to take you up where you were a few minutes ago, I believe you stated that the reason why there was such a marked decline in the value of these securities was because of the fact that there had been a decline in the earning capacity of the steel plants?

Mr. PERKINS. Yes, sir.

Mr. BEALL. Take the preferred stock; that carried with it an obligation to pay a dividend of 7 per cent?

Mr. PERKINS. Yes.

Mr. BEALL. You had regularly paid that dividend?

Mr. PERKINS. Yes.

Mr. BEALL. There was no prospect of that stock not receiving the dividend, was there?

Mr. PERKINS. Yes, sir; it was just touch and go at one meeting of the finance committee, as to whether that dividend would not be passed, and it was only the most earnest possible urging on Mr. Morgan's part that caused the committee to go on and declare that dividend and not pass it.

Mr. BEALL. Was it known to the people who were dealing, say, in preferred stock on the stock exchange and elsewhere, that there was any probability of the dividend not being paid on the preferred stock?

Mr. PERKINS. Why, yes, sir; because people knew how depressed the business was; how very small the tonnage output was; so that it was a grave question as to whether we were even then, at that particular moment, earning our preferred dividend. Everybody thought there was never going to be any more steel business in the world. Everybody was blue, and down in the dumps; the bottom had fallen out entirely. That is a matter of record.

Mr. BEALL. When was that?

Mr. PERKINS. In 1903.

Mr. BEALL. But since that time, and up to the present time, there has been no failure to pay the 7 per cent dividend on the preferred stock?

Mr. PERKINS. Not since the rebound from that severe depression of 1903; we never have gotten to so close a point on the preferred stock. And with the accumulation of a surplus that has constantly been going on, the industrial public has recognized that there was very little probability of such a thing occurring again. You can not fool all of the people all the time. They have become pretty well informed about the value of the securities.

Mr. BEALL. I do not know very much about the operation of affairs in Wall Street, and the method by which these stock sales are conducted. I want to ask some questions, for my own information, if for nobody else's. While that syndicate was in existence, was it possible for anybody connected with it to go to the Stock Exchange in New York and buy this preferred stock at the depreciated price, and then turn it in and have it exchanged for the second steel bonds?

Mr. PERKINS. The option was open for a number of months. I can not recollect just the date now, but the option was open for a holder of preferred stock to exchange 40 per cent of them for bonds.

Mr. LINDABURY. That is not the question, at all. Mr. Perkins did not apprehend your question.

Mr. PERKINS. I did not get the question, then.

Mr. BEALL. I am asking you whether it was possible during the period that this option was open, for any person who was a member of that syndicate——

Mr. LINDABURY. A member of the syndicate, he says.

Mr. PERKINS. Yes.

Mr. BEALL (continuing). To go on the stock exchange in New York and buy that stock at the depreciated price, and then turn it in on this bond conversion deal in exchange for the 5 per cent bonds?

Mr. PERKINS. No, sir.

Mr. BEALL. Why?

Mr. PERKINS. Because he had to deposit his stock with the managers of the syndicate when it was formed.

Mr. BEALL. Well, was it possible for anybody who was not a member of the syndicate to go upon the stock exchange during that time and buy this stock at the depreciated price and turn it in to the syndicate or turn it in to J. P. Morgan & Co., or turn it in to anybody else that was directly or indirectly connected with the Steel Corporation, and receive in exchange these second-mortgage bonds of the Steel Corporation?

Mr. PERKINS. No, sir.

Mr. BEALL. Why?

Mr. PERKINS. Because the syndicate had been made up months before. That was a closed book, so to speak.

Mr. LINDABURY. He could have turned it in to the Steel Corporation?

Mr. PERKINS. Yes; as a stockholder he could have turned it in.

Mr. BEALL. Did the option, or the time during which any stockholder could turn in his stock, expire while the stock was at that depreciated price?

Mr. PERKINS. No, sir; that had not expired. My recollection is that the stockholders outside of the syndicate could make the exchange.

Mr. YOUNG. Did not a stockholder have to deposit his stock by a certain time?

Mr. PERKINS. Yes; but that was a long time.

Mr. YOUNG. Had not this long expired? This was a year afterwards.

Mr. PERKINS. There were several months in which he could do that.

Mr. GARDNER. Would the stockholder have a right to exchange?

Mr. PERKINS. Do you mean as to dividends, or——

Mr. GARDNER. Referring to Mr. Beall's question, supposing that I went into the stock market and bought 10 shares of stock, could I at that time have turned 4 of those shares in to the company in exchange for bonds, or would I have had a right to do that before your books were closed, whenever that was?

Mr. LINDABURY. This pamphlet has the dates when the stockholders' rights expired. I will see if I can find it here.

Mr. BEALL. Under the situation that existed there about October or November, 1903, if a transaction such as I have outlined could have occurred, it offered opportunities for very great profit to somebody, did it not?

Mr. PERKINS. But it did not offer very great opportunities for profit to anybody. That was impossible. If it offered great profit, it was because the date before which a regular stockholder could exchange had not expired, and, as I have already testified, the reason why the plan was given up was because the bonds were being depressed unnaturally, owing to the fact that they were being put gradually on the market, much as was the case in the panic 1907, they being a thing that the people could realize on and that would be accepted.

Mr. GARDNER. It seems to me absolutely impossible that the circumstances in the stock market should have been such that by the simple process of my going in and buying preferred stock and turning it into bonds I could make an untold sum of money. It seems to me perfectly certain that until those rights expired the preferred stock must have been selling at about the same as the bonds; other-

wise, if the preferred stock was convertible, it would have gone right up in the market to the same price as the bonds, or the bonds would have come back to the same price as the preferred stock, would they not?

Mr. PERKINS. When we get this date, that will have very much to do with it.

Mr. LINDABURY. That must be so, as you state it, Mr. Gardner.

Mr. GARDNER. Yes; in the nature of things.

Mr. PERKINS. Oh, yes.

Mr. GARDNER. The public is going to bring the prices together.

Mr. LINDABURY. Of course, then every stockholder would have exercised his right.

Mr. YOUNG. And then he would have sold his bonds and bought more stock, and repeated the operation.

Mr. PERKINS. Yes; of course it all turns on the point of that date.

Mr. LINDABURY. The 1st of July, 1902, was when it ended.

Mr. GARDNER. That is, the books were closed with the stockholders of that date, were they?

Mr. PERKINS. When was the plan launched?

Mr. LINDABURY. April 1, 1902.

Mr. PERKINS. When was the time that was to expire?

Mr. LINDABURY. I think it was July 1, 1902. I will read on through, but that is apparently the date. [After further examination of pamphlet.] This provides that the date shall be fixed. I think the Berger case, which the shorthand reporter took, and which we will have back here to-morrow morning, gives those dates. It says here that they shall give the order for 30 days at a time, to be agreed upon between the bankers and the directors, and that it must be by the 1st of July; so that apparently they contemplated that time.

Mr. GARDNER. Is not this the situation, that this was opened to the stockholders of record on July 1, 1902, and that those stockholders had a right to exchange, at their option, for a year to come?

Mr. PERKINS. I have not the dates in my mind.

Mr. GARDNER. It does not seem possible that you could go into the market and buy the right to exchange for a bond at any less than you could buy the bond itself for.

Mr. PERKINS. It would be just a question of getting the dates.

Mr. GARDNER. It must be to the stockholders of record on July 1, 1902.

Mr. DANFORTH. Can you not get those dates?

Mr. LINDABURY. Of course I can get them later. I think the Berger case gives those dates.

Mr. BEALL. In the minutes of the directors' meeting of April 7, 1903, is a letter dated March 3, 1903, which reads as follows:

MARCH 3, 1903.

RICHARD TRIMBLE, Esq.,
Secretary United States Steel Corporation.

DEAR SIR: We acknowledge the receipt of your favor of this day, transmitting certified copy of resolution adopted by the board of directors of the United States Steel Corporation at a meeting held this day extending, substantially, for a period of nine months our said contract with your company under date of April 9, 1902, and we hereby notify you that we accept and consent to the amendment and extension of our said contract as proposed in said resolution.

Yours, truly,

J. P. MORGAN & CO.

Does that throw any light on it?

Mr. LINDABURY. Yes; that provides for the syndicate to be extended by agreement.

Mr. BEALL. Then, that extends it up to December 30, 1903. Now, at the time that it was agreed between Morgan & Co. and the Steel Corporation that this bond-conversion enterprise should come to an end, about November, 1903, I believe it was——

Mr. PERKINS. I do not recollect the date.

Mr. BEALL. There had been about $150,000,000 of this preferred stock surrendered or delivered for the exchange?

Mr. PERKINS. For the conversion.

Mr. BEALL. Do you know how much of that came voluntarily from the preferred-stock holders within the limitation of the time that was given them in which they could make the exchange?

Mr. PERKINS. No, sir; I do not.

Mr. BEALL. I understand the syndicate had bound itself and had deposited its stock to the amount of $80,000,000?

Mr. PERKINS. Yes.

Mr. BEALL. That leaves a difference of $70,000,000.

Mr. PERKINS. Yes.

Mr. BEALL. Of that $70,000,000 the holders of the preferred stock had delivered some, and you do not know how much?

Mr. PERKINS. No, sir; I do not know.

Mr. BEALL. Whatever that amount be, the one point that is not clear in my mind is, how the balance of that $70,000,000 worth of stock was expected to be secured.

Mr. PERKINS. The balance over the $80,000,000?

Mr. BEALL. Over the $80,000,000, and over what was lacking after the stockholders who were given a certain limited time within which to come and voluntarily surrender 40 per cent of that stock, had done so; the balance remaining after they had done that.

Mr. PERKINS. There was a balance between $80,000,000 and $150,000,000.

Mr. BEALL. Yes; that had to be supplied some way.

Mr. PERKINS. Yes. I do not remember, sir, as to that. As to what percentage the broad body of stockholders, outside of the syndicate, turned in, I do not remember that.

Mr. BEALL. Now, just suppose a case, because that would illustrate. Suppose they turned in $30,000,000, that would leave $40,000,000?

Mr. PERKINS. Yes.

Mr. BEALL. How was it expected that that $40,000,000 worth of stock would be secured?

Mr. PERKINS. I do not know how to answer that. Of course, the whole plan was that the stockholders had the right to supply 40 per cent.

Mr. BEALL. Yes.

Mr. PERKINS. Forty per cent of all their stock, and the syndicate underwrote it to the point of $40,000,000 of preferred stock, and taking $80,000,000 of bonds, and then we went on to carry out the plan, and carried out $150,000,000 of preferred stock, which was turned in.

Mr. BEALL. How did you get that $150,000,000 of preferred stock?

Mr. PERKINS. I am very sorry that I do not remember how it was done.

Mr. BEALL. Somebody would have to get it, some way, by purchase, would they not?

Mr. PERKINS. Oh, no.

Mr. BEALL. If it was not voluntarily surrendered by stockholders, and if it was not turned in under the syndicate agreement?

Mr. PERKINS. Of course, it had to come in to the corporation under the syndicate agreement.

Mr. BEALL. The $80,000,000?

Mr. PERKINS. Yes; and by the stockholders turning in, as you say, the remainder up to $200,000,000, if it had gone as far as that.

Mr. BEALL. Suppose they did not voluntarily turn in enough to make up the $150,000,000 that was actually exchanged?

Mr. PERKINS. How many stockholders, in other words, took that 40 per cent option I do not know.

Mr. BEALL. Did enough of them take it by voluntarily offering their stock for exchange so that, adding that amount to the $80,000,000 that the syndicate was bound for, it would make up the $150,000,000; do you know that?

Mr. PERKINS. No, sir; I do not.

Mr. BEALL. If they did not, how were you to get the balance of it otherwise than by going out and buying it?

Mr. LINDABURY. Of course that is argument. I am sure that they did not buy any.

Mr. PERKINS. I am also sure that the syndicate did not turn in the whole $80,000,000.

Mr. LINDABURY. They did not have a right to turn in more than 40 per cent of it, did they?

Mr. PERKINS. No; they were obliged to turn in $80,000,000.

Mr. LINDABURY. They were authorized to turn in the $80,000,000 if it was necessary to make up the $150,000,000; but I am sure that that had not been turned in when that release was given, and I am also quite sure that there was none of it gotten by purchase in the way that Mr. Beall suggests; so that all the rest of it must have been gotten by the voluntary exchange. There was not any other way, of course, and I am sure that they did not purchase any.

Mr. BEALL. Mr. Perkins, so far as your knowledge goes, did anybody connected with that syndicate make any profit, directly or indirectly, out of that stock-conversion deal except the per cent that was stipulated in the contract?

Mr. PERKINS. No, sir.

Mr. BEALL. Did you or anybody else connected with that syndicate, within your knowledge, buy or sell or trade in the United States Steel Corporation's stock during the time that this transaction was being considered?

Mr. PERKINS. In connection with this transaction; no, sir.

Mr. BEALL. Has the United States Steel Corporation ever traded in its stocks?

Mr. PERKINS. No, sir. It has purchased preferred and common stock from time to time for the purposes of its profit-sharing plan.

Mr. LINDABURY. With its employees.

Mr. PERKINS. For its employees; but it has not traded in the stock.

Mr. BEALL. Has it bought and sold the stock?

Mr. PERKINS. No, sir.

Mr. BEALL. Or any of the directors of the corporation, within your knowledge, have they bought and sold or trafficked in this stock for the purpose of profit?

Mr. PERKINS. No, sir.

Mr. BEALL. Has the United States Steel Corporation ever been a purchaser of its own bonds?

Mr. PERKINS. Yes, sir.

Mr. BEALL. To what extent and for what purpose?

Mr. PERKINS. For its sinking-fund purposes.

Mr. BEALL. In any other way, within your knowledge?

Mr. PERKINS. I think it has bought, at times, ahead of its sinking-fund requirements for investment purposes. I mean by that, that I think there have been times when the corporation has had larger amounts of bonds on hand than were currently required for sinking-fund purposes, held against future deposits for such purposes. But the company has scrupulously avoided anything that resembled speculation in its securities, bonds, or stock, preferred or common.

Mr. BEALL. Has that care extended, do you know, to the officers and directors of the corporation?

Mr. PERKINS. So far as I know, it has.

Mr. YOUNG. They have not always owned the same amounts of stock, have they?

Mr. PERKINS. How is that?

Mr. YOUNG. They have not always owned the same amounts of stock, have they?

Mr. PERKINS. I do not suppose they have.

Mr. YOUNG. Then what do you mean by your answer to Mr. Beall, that they have never traded in the stock?

Mr. BEALL. I mean on the stock exchange.

Mr. PERKINS. In the sense of speculating in it to raise or depress it, one way or the other; to put it up or to put it down.

Mr. YOUNG. You make a distinction between buying for investment, or buying——

Mr. PERKINS. For effect.

Mr. YOUNG (continuing). For stock-market purposes?

Mr. PERKINS. I do, most decidedly.

Mr. STERLING. Do you know of any of the directors or officers having bought common stock when it was down to 10 or 12, or preferred stock when it was down to 49 or 50?

Mr. PERKINS. I know of a great many who wish that they had.

Mr. STERLING. Do you know of any that did?

Mr. PERKINS. I beg your pardon, I can not say that I do.

Mr. BEALL. Have you had any information that any of them did?

Mr. PERKINS. Did what, please, Mr. Beall?

Mr. BEALL. Purchased any of the common or preferred stock when it was extremely low?

Mr. PERKINS. No, sir; I have not.

Mr. YOUNG. Did you, yourself?

Mr. PERKINS. Not at those figures; no, sir.

Mr. BEALL. At any figures, when it was low?

Mr. PERKINS. I do not recollect.

Mr. BEALL. To what extent have you dealt in that stock, regardless of whether it was high or low, since you have been a director of the Steel Corporation?

Mr. PERKINS. Never, except as an investor in the stock.

Mr. GARDNER. Did you ever sell any of it?

Mr. PERKINS. Yes, sir; but I have never been directly or indirectly connected with any pool—using now the Street expressions—or with any association of individuals or firms to operate, as it is said, in that stock.

Mr. BEALL. Well, to what extent have you operated personally in the stock?

Mr. PERKINS. I never have operated; never have operated except to buy and sell it as I would any other investment.

Mr. BEALL. And those purchases and those sales have been made through the New York Stock Exchange?

Mr. PERKINS. Well, it depends to some extent——

Mr. BEALL. Ordinarily.

Mr. PERKINS. I do not know as I quite understand. The only place to buy it would be through the stock exchange or directly of an owner.

Mr. BEALL. Yes. How has it been, ordinarily?

Mr. PERKINS. Why, through the regular channels of business; through the stock exchange.

Mr. BEALL. How often have those purchases and sales been made by you?

Mr. PERKINS. I could not say.

Mr. BEALL. Frequently or otherwise?

Mr. PERKINS. Not so very frequently. It has just been purely a question of investments, like anyone else would make.

Mr. BEALL. When you thought they were low you would buy them, and when you would get a profit in them you would sell them?

Mr. PERKINS. Not necessarily; no, sir.

Mr. BEALL. Well, not necessarily; but, as a matter of fact, was that or not the way?

Mr. PERKINS. That was not my purpose. When I had money to invest that I did not expect to use for a time, I would invest it in that or in some other security, what I thought was most likely to give me a good return, both as to income and profits, at some time or other.

Mr. BEALL. Have you ever bought them on margin?

Mr. PERKINS. No, sir.

Mr. BEALL. Did you ever sell any short?

Mr. PERKINS. I never did, nor any other shares of stock in my life, short.

Mr. BEALL. You are not a member of the stock exchange?

Mr. PERKINS. No, sir.

Mr. BEALL. Have you effected the transactions you have named through brokerage houses?

Mr. PERKINS. Yes.

Mr. BEALL. Through somebody that was a member of the stock exchange?

Mr. PERKINS. Yes.

Mr. BEALL. Can you give us the names of any of those houses or individuals through whom these purchases and sales were made?

Mr. PERKINS. Let me see. Of course while a member of the firm of J. P. Morgan & Co. some of my business was with them, and since my disconnection with that firm I have naturally been readjust-

ing my investments, and I am sort of in that process now, of changing my status in regard to my securities.

Mr. BEALL. Do you mean by that, that since you severed your connection with that company, you have been dealing through some other firm than the firm of J. P. Morgan & Co.? Is that what you mean?

Mr. PERKINS. Since that is passing through my mind——

Mr. LINDABURY. Mr. Beall, I have not wanted to interpose an objection heretofore.

Mr. BEALL. I hope you will not now, because this is very interesting information we are about to get.

Mr. LINDABURY. I know; but you are going into a man's private affairs, it seems to me, pretty far.

Mr. BEALL. He is a director of the United States Steel Corporation.

Mr. LINDABURY. Well, what of that? He says he has never bought a share on margin or sold a share.

Mr. PERKINS. Perhaps I can answer in this way: I have never bought a share of the Steel stock on a margin; I have never speculated in the stock; I have never sold a share short. I have only bought it as an investment at such times as I have stated to you. I am just in that attitude, this year, of readjusting my investments, having retired from the firm of Morgan & Co., and I hardly feel that it is proper for me to go into my private investments beyond a definite statement that I have never, as I say, speculated in the Steel Corporation's stocks, dealt in them on margin, or sold them short.

Mr. BEALL. It all depends, of course, upon the definition you give to the word "speculation."

Mr. PERKINS. I say that in its broadest sense as you can interpret it.

Mr. BEALL. As I understand, you have bought it for an investment when you thought the price justified it, and would give you a profit?

Mr. PERKINS. Not quite. A man makes investments or sells his investments according not only to the particular security, but according to his general condition and plan of life.

The CHAIRMAN. It is a little after 5 o'clock, and the committee will adjourn until to-morrow.

Mr. LINDABURY. Are you through with this witness?

The CHAIRMAN. We are not through with him. The committee will stand adjourned until 10.30 o'clock to-morrow morning, at which time they will continue with Mr. Perkins.

(At 5.15 o'clock p. m. the committee adjourned until to-morrow, Friday, Aug. 11, 1911, at 10.30 a. m.)

(Mr. Lindabury presented to the committee the following opinion of the court of errors and appeals of the State of New Jersey, referred to by him during the hearing of yesterday:)

CASES ADJUDGED IN THE COURT OF ERRORS AND APPEALS OF THE STATE OF NEW JERSEY, ON APPEAL FROM THE COURT OF CHANCERY. JUNE TERM, 1902.

Miram Berger, complainant and respondent, *v.* The United States Steel Corporation, defendant and appellant. (Filed Oct. 11, 1902.)

1. The act concerning corporations, as revised in 1896, authorizes corporations formed under it to retire shares of its preferred stock, purchased with bonds or the proceeds of bonds issued for that purpose, the provisions of sections 27 and 29 being complied with.

2. The offer to purchase pro rata must be made to all stockholders.

3. Such corporations have power to purchase and hold their own shares.

4. Such purchase and retirement of preferred shares does not deprive the stockholder who does not elect to sell of any vested right.

5. The provisions in the 29th section that "certain shares" may be retired by purchase means that in proceeding under it the directors must declare how many shares they propose to retire, and failure to acquire that full number by purchase will not render the scheme abortive. It will be available to the extent that it can be carried out.

6. The supplement approved March 28, 1902, is a restraining and not an enlarging act, and its provisions must be observed to render the retirement of shares by purchase legal.

7. It is a general act, applying to all corporations, excepting none. It changes the mere form of accomplishing what the act of 1896 authorizes to be done, and affects no vested right of a dissentient stockholder.

8. The manner in which a duly authorized plan is to be carried through is part of the business of the corporation, and, in the absence of fraud or bad faith, is not the subject of judicial control to any greater extent than other business of the corporation. The court can not substitute its judgment for that of the directors and majority stockholders and say that a less expensive plan could be successfully adopted.

9. Quære: In what respect and to what extent does the fifth section of the corporation act of 1896 amplify the power of the legislature to alter or amend said act?

On appeal from an order advised by Vice Chancellor Emery, whose opinion is reported in 18 Dick. Ch. Rep., 506.

Mr. Richard V. Lindabury and Mr. Charles L. Corbin for the appellant.

Mr. Robert H. McCarter for the respondent.

The opinion of the court was delivered by—

VAN SYCKEL, J.: The United States Steel Corporation was organized in February, 1901, under the general corporation act of this State, and by its original certificate of that date and its amended certificate filed April 1, 1901, had an authorized capital stock of $1,000,000,000, divided into 10,000,000 shares of $100 each, equally divided as to number and amount between preferred and common stock.

The holders of preferred stock are entitled to be paid out of the net profits of the corporation yearly dividends at the rate of 7 per cent per annum, and no more, such dividends to be cumulative and payable before any dividend can be paid on the common stock.

On the 1st day of April, 1902, the board of directors passed a resolution providing, among other things, that "to the extent that holders thereof shall consent thereto, 2,000,000 shares of the preferred stock of the corporation now outstanding shall be redeemed and be retired out of bonds or out of the proceeds of bonds of said corporation, which bonds shall bear interest at the rate of 5 per cent, payable semiannually, the principal payable in 60 years and redeemable at 110, after 10 years, out of a sinking fund to be provided, or any other funds of the corporation." The bonds to be issued to be secured by mortgage on all the present and future property of the corporation and shares held by it in other corporations.

Reasonable opportunity was to be given to the preferred stockholders of record on a date to be fixed in the offer to subscribe for their ratable share of $200,000,000 of the bonds, payable in preferred stock at par, and being 40 per cent of their several holdings.

Notice of a special meeting of stockholders was duly given, as required by law, to take action upon the resolution of the directors relating to the issue of said bonds and the retirement of stock, at which meeting, held in May, 1902, the stockholders, by a vote of 3,745,731 of preferred stock and 3,958,557 of common stock in favor of the resolution, and 4,865 shares of preferred and 7,675 of common stock against the resolution, adopted the said resolution and approved and ratified the said action of the directors. A certificate of the adoption and ratification of the said resolution, signed by the president and secretary of the corporation, under its corporate seal, acknowledged or proved as in the case of deeds of real estate, together with the written assent, in person or by proxy, of two-thirds in interest of each class of such stockholders, was duly filed in the office of the secretary of state, as required by the twenty-seventh section of the "act concerning corporations."

Thereupon the complainant, who is a holder of preferred stock of the corporation, filed her bill to enjoin the issue of these bonds to retire the preferred stock.

At her instance an order was obtained in the court of chancery that an injunction should issue, which order is the subject of appeal to this court.

In presence of the fact that over 99 per cent of all the stockholders in attendance at the meeting, personally or by proxy, voted in favor of the resolution, it can not reasonably be expected that the court is impressed with the belief that the complainant will suffer any substantial injury by the consummation of the scheme. Nevertheless, if it appears that the proposed action is without legal authority, the complainant can not be denied the relief which she seeks, but in passing upon this controversy the greatest care must be observed that this overwhelming majority of the shareholders are not deprived of their rights by the very few dissentients.

The adjudicated cases in other States and in England, which have been cited and ably discussed on the argument before us, turn upon statutes so essentially differing from our own that they furnish very slight, if any, aid to the proper disposition of this case.

Not only does the English companies' act differ from our corporation act, but the English Parliament is under no such constitutional restraint as is here the paramount law.

It is deemed to be unnecessary, therefore, to refer to such cases on this branch of the controversy.

The rights of the parties to this suit must rest upon the just interpretation of the language of our "act concerning corporations" and of the terms of the certificate of incorporation and its amendment.

Some reliance is placed by the appellant upon the fact that at the time when the complainant became a stockholder a section of the by-laws was in force which provided that where any contract should be approved by the vote of a majority of the stockholders, at a meeting called for the purpose of considering such contract, it should be "as binding upon the corporation and upon all the stockholders as though it had been approved or ratified by every stockholder of the corporation."

In my judgment this by-law has no significance in the present case as to the question of power and can not be invoked to validate, as to nonassenting shareholders, any act for the doing of which there is a want of legal authority in the legislative grant. Carried to its logical result, it would enable the majority to deprive the minority of their shares.

The question to be solved is whether the "act concerning corporations," in connection with the certificate of incorporation filed under it, contains a grant of power to retire shares of stock in the manner adopted by the board of directors and ratified by the vote of the stockholders.

The twenty-seventh and twenty-ninth sections of the corporation act of 1896 expressly provide for the retirement of both classes of stock.

The fifth section of the act provides "that this act and all its amendments shall be a part of the charter of every corporation heretofore or hereafter formed under it, except so far as the same are inapplicable and inappropriate to the objects of such corporation."

The complainant therefore has no vested right to retain her shares in opposition to any lawful method provided for retiring them. Nor, under the provisions of our corporation act, can any just basis be found for the assertion that her vested rights as a stockholder are impaired by the purchase by the corporation of it own shares of stock.

In Chapman *v.* Ironclad Rheostat Co. (33 Vr., 497) Mr. Justice Dixon, in an opinion delivered in our supreme court, very clearly demonstrates that under the corporation act of 1896 there is an implied grant of power to corporations to purchase shares of their own capital stock whenever such purchase is required for legitimate corporate purposes. Section 20 makes such shares personal property; section 1, subdivision 4, gives power to purchase such personal property as the purposes of the corporation shall require, except what is excepted in section 3, which exception does not include shares of its own stock. Therefore, in connection with sections 29 and 38, the right of a corporation to purchase its own shares is necessarily implied.

This right is also so fully recognized by the twenty-ninth section that it seems to be removed from debatable questions. That section provides that capital stock may be decreased by retiring shares owned by the corporation, which unquestionably implies the power to acquire and hold its own shares.

The first question to be considered is whether the appellant has power, under the act of 1896, to retire its shares in the proposed method which is now challenged by the respondent.

That act provides several ways in which stock may be retired by a vote of two-thirds in interest of each class of stockholders:

(1) By retiring or reducing any class of stock. This is compulsory, and must operate equally upon all holders.

(2) By lot, and this is also compulsory.

(3) By surrender of shares and the issue of a less number of shares pro rata.

(4) By the purchase, at not above par, of certain shares for retirement.

(5) By retiring shares owned by the corporation.

(6) By reducing the par value of shares.

It is important to notice that this legislation favors the capacity of corporations to retire their shares, by a two-thirds vote of the holders thereof, as it has provided every available way in which it can, with any degree of facility, be exercised, and, also, that this court adopted the opinion of Vice Chancellor Pitney in Meredith *v.* New Jersey Zinc Co. (14 Dick. Ch. Rep., 257), which held that, under the 33d section of the act of 1875, which authorized a corporation "to change the nature of its business," the corporation might purchase a reducing plant outside of this State and engage in business where it was located.

The vice chancellor said: "It is fairly inferable that the thirty-third section was intended to prevent a few dissentient stockholders, as here, from setting up their wills against the will of a large majority, and the statute should be so construed as to further that object."

A liberal and not a narrow construction must therefore be given to the language of the twenty-seventh and twenty-ninth sections of the act of 1896, in order to give effect to the intent of the legislature manifested in this broad and comprehensive grant of authority to retire shares of stock.

The directors claim to have taken action under the fourth method of retirement, "by the purchase, at not above par, of certain shares for retirement," as well as under the act of 1902, hereafter referred to.

In the notice of the meeting, as well as in the proceedings and certificate filed, the mere formalities required by sections 27 and 29 of the act of 1896, as well as those prescribed by the act of 1902, were strictly complied with.

Under this mode of retirement it is optional with the shareholder to sell or retain his stock.

As has been shown, the company may, without the sanction of this provision, purchase its own stock.

The company may purchase in open market or of shareholders and hold the stock; but if the purpose is to retire the stock the provisions of the twenty-seventh and twenty-ninth sections must be complied with, one of which is that the purchase must be for a price not above par.

If purchases are made under this clause it implies, of necessity, a contract between the company and the seller, between one who desires to buy and one who is willing to sell. The word "purchase" is entirely inapplicable to any other condition.

The first two methods are compulsory; the fourth method is not compulsory, else it would not be a purchase.

It can not, therefore, be held that, in order to give effect to this fourth method, shares must in fact be purchased ratably from each stockholder, and that one dissentient, although all others accept, may deprive the company of the benefit of this method and render the legislative act to that extent abortive.

Equality and the equitable right of shareholders to uniform treatment is preserved by giving the like option to all.

It is insisted on behalf of the complainant that the resolution of the directors does not, within the meaning of the 29th section, provide for the purchase of certain shares for retirement. The alleged infirmity is that the transaction under review is not substantially "the purchase of certain shares"; that the amount of the decrease and the number of shares which may be purchased, if the scheme is permitted to be acted upon, will be uncertain.

The resolution declares that the directors desire to retire 2.000,000 preferred shares, and that to the extent that holders thereof shall consent thereto, that number of shares will be retired out of bonds or the proceeds of bonds.

The words "certain shares" can not be construed to mean that particular shares shall be designated, or that the names of the holders thereof shall be specified; that would give the majority power to make an unjust discrimination, by selection against the minority who might desire to accept the bonds, and can not reasonably be deemed to have been the legislative intent.

The resolution could do no more than declare what number of shares the company desired to retire, and if the failure to acquire by purchase the whole number rendered the undertaking futile, the two-thirds of assenting stockholders could be deprived of the right given them by the statute to retire by purchase, by the act of a single dissentient. It would manifestly be in contravention of the purpose of the statute to construe it in that way, and would practically strike out of the twenty-ninth section one of the modes prescribed for retiring the stock.

The corporation act gives express power to retire shares by purchase, and that provision must be read into the certificate of incorporation, under and subject to which the complainant holds her stock. It can not, therefore, be even plausibly maintained that shares can not be purchased for retirement by cash.

But it is contended that the appellant is without authority to issue bonds with which, or with the proceeds thereof, it purposes to effect the purchase.

There is no provision in the corporation act, or in the charter of the company, to support the proposition that purchases of its stock can not be made by it on credit.

On the contrary, as has been shown, the company has power to buy its own shares, and that power is given to it in the same terms and as broadly as the granted authority to purchase other personal property. No limitation is, in this respect, placed upon it which does not apply equally to the purchase of all other property.

The right to purchase carries with it the right to make such terms as to payment as can be agreed upon with the vendor. The company could say to the seller that it would take the stock at the offered price, payable in one week or one month, and it would be a valid transaction; and if a credit of one week or one month be given it could be extended at the will of the vendor.

There is a technical meaning given in the law to the word "purchase," as applied to real estate, wider than its general signification; it is the acquisition of lands by other means than descent or inheritance.

As applied to personalty, it is the acquisition of anything for a price, by the payment of money or its equivalent.

Sale and exchange are used interchangeably in the law, and is a transmutation of property from one party to another in consideration of some price or recompense in value.

By the settled rule of interpretation, in the absence of any expression to narrow its significance, the word "purchase," must be given its ordinary well-understood meaning as accepted in the daily transactions of the business world, and that carries the right to buy for cash, for any equivalent agreed upon, or on the credit of the buyer. The right to buy on credit must necessarily include the right of the purchaser to give the vendor evidence of the credit, by note, or bond, or other way agreed upon, as well as the right of the purchaser to pledge his credit, by note or bond, to a third person, and thereby secure the cash to pay the vendor.

The right to create a debt also carries with it the right to secure it, by mortgage or otherwise, in the absence of any statutory restraint upon the corporation.

Such right was maintained by Chancellor Green in Magie *v.* Evangelical Dutch Church (2 Beas., 77), and affirmed in this court (2 McCart., 500).

The amended certificate of incorporation, after specifying the various branches of business in which it may engage, has the following provision:

"Without in any particular limiting any of the objects and powers of the corporation, it is hereby expressly declared and provided that the corporation shall have power to issue bonds and other obligations in payment for property purchased or acquired by it or for any other object in or about its business; to mortgage or pledge any stocks, bonds, or other obligations or any property which may be acquired by it to secure any bonds or other obligations by it issued or incurred; to guarantee any dividends or bonds or contracts or other obligations; to make and perform contracts of any kind and description; and in carrying on its business, or for the purpose of attaining or furthering any of its objects, to do any and all other acts and things, and to exercise any and all other powers which a copartnership or natural person could do and exercise, and which now or heretofore may be authorized by law."

Here is expressly provided the right to mortgage all property then held or thereafter acquired, not only for debts contracted in carrying on its various branches of business, but also for the purpose of attaining or furthering any of its objects.

One of the purposes and objects of the corporation which was contemplated in its inception and provided for by the act of 1896, and which is now entered upon and which, in the estimation of the requisite number of shareholders, will be productive of beneficial results, is the retirement of the proposed number of shares by purchase. The object is a lawful one, being expressly recognized by the corporation act.

The first section of the corporation act gives corporations organized under it power to mortgage their real and personal estate and franchises.

This provision must be regarded as part of the charter of the company, and thereby, with the added provisions of the certificate of incorporation, the directors are invested with the most comprehensive authority to issue bonds secured by mortgage for any and all legitimate purposes and objects of the company, good faith being exercised.

That being so, it logically follows that these bonds may be sold on the market and stock purchased according to the resolution with the proceeds, or the company may offer the bonds to all stockholders on same terms who are willing to accept them.

That would be a purchase of shares by something of equal value in the estimation of those who elect to sell.

The fact that those who do not accept will have an additional mortgage debt underlying their stock impairs no vested right.

They acquired their shares subject to the provisions of the act of 1896 and the certificates of incorporation which authorize the retirement of stock in the manner adopted. It is immaterial to stockholders who do not assent whether bonds are secured by mortgage. All pecuniary obligations of the company underlie the shares of preferred stock. It concerns only the unsecured creditors and those who accept the bonds.

In the opinion of the court below the proposed plan is condemned on the ground "that it is a preferential distribution of capital among some of the shareholders to the exclusion of others, and not a plan for an equal ratable distribution among all the preferred stockholders; that the capital represented by preferred stock, up to a limit of $200,000,000, is to be reduced to the extent the holders agree to take bonds, and the distribution of the amount released is made solely among those who consent to take bonds. The stock of all those who decline to take bonds is thus made subject to the prior claim and lien of those who take bonds."

That this plan involves a reduction of capital stock is conceded; it is the very purpose of the plan to reduce it and retire it; but to the assertion that it is preferential I am unable to assent.

The same opportunity is given to all to accept the offer—none are excluded—and the complainant, who has declined the offer, can not say to the ninety and nine who have elected to accept it that they have been preferred. There has been no act of preference on the part of the corporation; the position occupied by the complainant is of her own option.

A like charge could be made if the purchase for retirement was to be for cash.

In that case, if the complainant refused to sell, the cash assets of the company would be distributed among others who elected to sell, and could, with equal propriety, be termed a preferential distribution. If for this reason the execution of the plan can be arrested, then, although the statute confers express power to retire by purchase, two-thirds of the shareholders assenting, still the retirement by purchase can not be made if there is a single dissentient.

The first two methods provided for retiring the stock are compulsory, and if the company had cash assets to retire in those methods the further provision for retirement by purchase would be unnecessary, if it could be by the payment of cash only. The inference is that the draftsman of the twenty-ninth section intended to bestow the power to purchase on credit, cash assets not being in hand.

Whether the purchase is for cash or through mortgage bonds, it is obvious that the shares of dissentients will be subject to proportionately greater burdens than would fall upon them if no shares were retired.

When cash is paid to those who sell 40 per cent of their holdings, the assets of the company are reduced to that extent—40 per cent—but the indebtedness of the company remains as before.

The result is that the indebtedness of the company, with 40 per cent of cash withdrawn, in effect, would be relatively greater as to the dissentient stockholder than it would be as to those who retained only 60 per cent of their stock, with cash in hand for the 40 per cent surrendered; in the language of the dissentients, it would be a readjustment of the relation between the shareholders, to the disadvantage of those who did not elect to sell. The same condition would arise in the case of purchase on credit, and it may be to a greater extent, but the principle is the same; and if illegal in the latter case, it could not be defended in the former.

The sufficient answer to all these objections is that the scheme adopted is within the purview of the corporation act of 1896 and of the certificate of incorporation, of which the act, in contemplation of law, is part, and the complainant holds her shares subject thereto and to all the consequences which flow from it.

If, on this branch of the case, it had been concluded that, in some material respect, the provision of the act of 1896 had not been pursued, the act of 1902, which has been strictly followed, is valid and constitutional.

It is assailed upon two grounds, either of which, if well taken, would render it obnoxious to the organic law.

The act of 1902 provides that, with the consent of two-thirds in interest of each class of the stockholders present, in person or by proxy, at a meeting called in the manner provided in section 27, every corporation organized under this act which shall have issued preferred stock—

(1) Entitling the holders thereof to receive dividends at a rate exceeding 5 per cent per annum.

(2) Shall have continuously declared and paid dividends at such rate on such preferred stock for the period of at least one year next preceding the meeting.

(3) Whose floating or unfunded debt at the time of the stockholders' meeting shall, in the certificate thereof filed with the secretary of state, be certified not to exceed 10 per cent of the par amount of the preferred stock then outstanding.

(4) Whose assets at such time, after deducting the amount of its indebtedness, shall be certified, in the judgment of the officers making such certificate, to be at least equal to the amount of preferred stock issued and outstanding, may, with the consent of the holder of any such preferred stock, redeem and retire the preferred stock of such holder, out of the bonds, or out of the proceeds of bonds, of the corporation, bearing interest at a rate not exceeding 5 per cent per annum, the principal of such bonds being made payable at a date not less than 10 years from the date thereof; every corporation organized under this act may, from time to time, in the manner above provided, issue bonds, which, if thereon so declared, shall be convertible at par, at the option of the holder, into fully paid common stock of the corporation at par, within any period therein prescribed, not less than two years from the issue thereof; and, in such case, the board of directors may authorize the issue of common stock, into which such bonds, by their terms, shall be convertible.

First. Is this act special?

In considering this question it must be observed—

(1) That every corporation, under the act of 1896, has power to issue preferred stock at a rate of dividend exceeding 5 per cent.

(2) That every corporation may, if successfully operated, be able to declare and pay dividends at such rate on the preferred stock continuously for one year next before the provisions of this act are availed of.

(3) Every corporation may be able to keep its floating or unfunded debt within the prescribed limit.

(4) Every corporation not only may, but should be required to be in such sound financial condition as to be able, through the designated officers, truth-

fully to certify that its assets, after deducting the amount of its indebtedness, are at least equal to the amount of preferred stock issued and outstanding.

Each and every of these conditions, upon which the existence of the right to act under this statute depends, applies to all corporations; no discrimination is made in respect to the amount of capital stock or otherwise.

Whether its aid can be invoked is left, by the legislature, to depend wholly upon its solvency and upon the skill, good management, and success with which the business of the corporation is conducted. Equal opportunity is guaranteed to all; no right is accorded to one which is denied to another.

It is a misconception to suppose that it creates a class; it applies alike to all corporations; it is general in its operation and effect, requiring the existence of conditions which all corporations have equal opportunity, under the law, to conform to, and to which all may attain.

Whether these several provisions or any of them are wise or unwise, or whether the method provided for certifying to the existence of these conditions is a satisfactory and judicious one, is not a legitimate subject for judicial inquiry.

It is within the discretion of the legislature alone to prescribe the conditions upon which privileges and powers shall be exercised by corporations and what shall constitute sufficient evidence of their right to do so, so long as no provision of the fundamental law is violated.

The assertion that this law is unwise and that these conditions do not constitute, within legislative discretion, a reasonable basis for the enactment, will not be assented to when it is considered—

(1) That the officers who make the certificate are in a position to have full knowledge of the financial status of their company; that their certificate is not conclusive evidence, but may be shown to be false, and action in pursuance of it arrested.

(2) That the other conditions prescribed in the act of 1902 will prevent a corporation which may be in an unsound condition from converting its preferred stock into mortgage bonds, and thereby give the holders of such shares a priority over the floating or unsecured debts.

(3) That while under the corporation act of 1896 every corporation which had issued preferred stock might, by purchase of shares, convert its preferred stock into bonds, without regard to whether or not it was in the sound financial condition contemplated by the act of 1902, the act of 1902 is a restraining and not an enlarging act. It provides the conditions upon which preferred stock may be purchased and retired by mortgage bonds, and thereby excludes the adoption of any other method; expressio unius exclusio alterius. The prescribed conditions must exist to render the retirement by purchase of shares lawful.

(4) That a due observance of the provisions of the act of 1902 will be an assurance to those who may be induced to purchase the bonds that they have a substantial basis as an investment.

The case of Grey, Attorney General, *v.* Newark Plank Road Co. (36 Vr., 51) (affirmed by this court, 36 Vr., 603, so far as the question now involved is concerned) is relied upon by the complainant to specialize the act of 1902.

It needs no discussion to show that it is without pertinence.

The plank-road act expressly limited its provisions to the following corporations:

(1) Those theretofore organized under any special act of the legislature.

(2) And which have been empowered, by any supplement, to lay railroad tracks and operate a horse railroad.

(3) Whose time limited for commencing and completing the building of such railroad has expired.

It, in terms, excluded all corporations which at the time the act was passed—in 1889—were without these three characteristics, and could not apply to any future corporation.

Second. Does the act of 1902 impair any vested right of the complainant?

Section 6 of the act concerning corporations, passed in 1846 (P. L. of 1846, p. 17), provided—

"that the charter of every corporation which shall hereafter be granted by the legislature, shall be subject to alteration, suspension, and repeal, in the discretion of the legislature."

It must be conceded that it is firmly settled in our jurisprudence that the right reserved in this sixth section to amend, alter, or repeal charters extends only to the modification or destruction of rights as between the State and the

corporation, but that the rights of the stockholders inter sese can in no respect be impaired, except in so far as impairment may result from an alteration required by the public interest. Kean *v.* Johnson (1 Stock., 401); Zabriskie *v.* Hackensack (3 C. E. Gr., 178), and Mills *v.* Central Railroad Co. (14 Stew. Eq., 1), are cases under the act of 1846, and the Newark Library Case (35 Vr., 217, 265), dealt with the right of amendment and repeal under the act of 1846.

The act of 1896, under which the appellant is incorporated, by its fourth section, reenacted the sixth section of the act of 1846, and also provides, in its fifth section, as follows:

"This act may be amended or repealed, at the pleasure of the legislature, and every corporation created under this act shall be bound by such amendment; but such amendment or repeal shall not take away or impair any remedy against any such corporation or its officers for any liability which shall have been previously incurred; this act and all amendments thereof shall be a part of the charter of every corporation heretofore or hereafter formed hereunder, except so far as the same are inapplicable and inappropriate to the objects of such corporation."

This section was first enacted in the revision of the corporation act of 1896, and it must have been designed to amplify and enlarge the power of the legislature over corporations organized under it.

Under the provision contained in the sixth section of the act of 1846, retained in the revision of 1896, it had been repeatedly held that the power was fully reserved to alter or repeal charters for the benefit of the public.

The language of the fifth section of the act of 1896 is very broad: "This act and all amendments thereof shall be a part of the charter of every corporation heretofore or hereafter formed under it."

It is difficult to perceive how any substantial force can be accorded to it, unless some amendment may be made which may affect the rights of stockholders inter sese to some extent.

In Andrews *v.* Gas Meter Co. (L. R. 1, Ch. 361, 1897), the defendant company was formed and registered as a limited company under the English companies act of 1856, but in October, 1862, it was registered under the companies act of 1862.

On appeal the English court held that the case was to be determined by the act of 1862, and that a limited company, having no authority under its memorandum or articles to create any preference between different classes of shares, may, by special resolution passed under powers conferred by the companies act of 1862, sections 50 and 51, alter its articles so as to authorize directors to issue preference shares by way of increase of capital.

In Allen *v.* Gold Reefs of West Africa (Ltd.) (L. R. 1, Cr. 656, 1900), a limited company, by one of its articles provided that it should have a lien for all debts and liabilities of any member to the company "upon all shares (not being fully paid) held by such member."

The company, by way of purchase money for the property acquired by it, allotted fully-paid shares to Z., a nominee of the vendor to the company; Z. also applied for and had allotted to him shares not paid up. He was the only holder of fully-paid-up shares.

At his death he was indebted to the company in arrears of calls on the unpaid shares, but his assets were insufficient to pay the arrears. Thereupon the company, by special resolution under section 50 of the companies act of 1862, altered the above article by omitting therefrom the words "not being fully paid," thus creating a lien on Z.'s fully-paid shares.

The English court of appeals, also, in this case ruled that the company had power to alter its articles by extending its lien to fully-paid shares, since he took them subject to the original articles, and the power of altering them was given to the company by section 50.

The judgment of the appellate court in these very recent cases was delivered after an exhaustive review of the previous decisions.

While these cases are not controlling in this forum, they are instructive, as the declarations of very learned judges, exercising broad equity power, that the original articles of the company do not constitute such a fast-bound contract, between the shareholders inter sese, as to create vested rights which could not be unfavorably affected by an alteration of the articles in pursuance of the power given by section 50 of the companies' act of 1862.

The case of Schwarzwaelder *v.* German Mutual Fire Insurance Co. (14 Dick. Ch. Rep., 589), decided in this court in 1899, has a more important bearing.

The defendant was a mutual insurance company organized in 1893 under our general act concerning insurance companies. The complainant became a member of the company in 1898. An act was passed March 6, 1899 (P. L. of 1899, p. 17), authorizing mutual insurance companies to be changed into joint-stock companies.

This court held that, under this act of 1899, a mutual insurance company organized in 1893 can not transform itself into a joint-stock company against the will of a member who acquired membership by contract with the company made before the passage of the act of 1899. The rule adopted in Kean *v.* Johnson, supra, was properly adhered to. In reading the opinion of Mr. Justice Dixon it can not escape attention that it was not even suggested that if the company had been organized after the passage of the act of 1899 the transformation could have been successfully assailed for illegality.

The only substantial difference between this case and the one sub judice is that the insurance act of 1899 expressly declares what alteration the company shall have competency to make, while under the general corporation act of 1896 there is a general grant of power to make alterations, without words of limitation, and the provision is declared to be part of the charter of every corporation organized under it.

It is unnecessary, however, to determine in this case what the true limitation upon the legislative power is—where the boundary line is which can not be overstepped.

Such a declaration in this case would be obiter and unwise. The law upon this subject, which is of great moment, is as yet in a formative state. A general rule upon a subject of so wide a range can be implanted in our jurisprudence only by gradual development as questions arise for adjudication.

Vice in a legislative act can not safely be predicated upon the mere fact that it may not be unreasonable to apprehend that some depreciation in the value of shares may flow from it. The legislature may impose additional burdens; it may withdraw the right to engage in some remunerative branch of business; and may repeal the entire charter.

Undoubtedly there may be changes so radical that underlying and fundamental principles will not permit the legislature to reserve to itself a right to make them.

It is not intended to express an opinion as to the effect of the fifth section of the act of 1896 upon this question of vested rights, and it will be dealt with as if there was no authority for the act of 1902 other than that contained in section 4 of the act of 1896, and the case of Kean *v.* Johnson, supra, will be accepted as a proper exposition of the law.

The act of 1896 gave the appellant the right, by a two-thirds vote of its shareholders, to retire preferred stock by purchase; the act of 1902 preserves that right, merely regulating the manner in which it should be exercised. As before stated, the complainant held her stock subject to the right of the company to retire, by purchase, the shares of such stockholders as might desire to sell, and the act of 1902 in no respect alters or changes her position, except to make it more secure when the given option is refused by her. No right which vested under the corporation act of 1896 is impaired or taken away by the later statute.

But if it did, in some appreciable degree, injuriously affect the value of complainant's shares, still this act must be upheld under the authority of Kean *v.* Johnson, supra.

That case holds that where the public interest is concerned, where public policy will be promoted, legislative interference, by an alteration of the law, is within the reserved power in section 4.

The fact that the act of 1902 excludes all other methods for retiring shares by purchase and the provision that it can not be applied unless it is made to appear that the assets, after deducting the amount of its indebedness, at least equals the amount of preferred stock outstanding, is in the public interest for the protection of creditors and those who might be induced to purchase the bonds issued to retire the preferred stock.

It is obvious that if the assets, after deducting debts, did not equal the preferred shares, immediately upon the conversion the debts of the company would exceed its assets, and the shareholders would not only be made creditors, but would be preferred to the creditors at large. The other provisions in this respect are some assurance that the required financial soundness, existing at the time of the purchase for retirement, will be maintained.

If, previous to the passage of the act of 1902, the company had undertaken to retire its shares by purchase, being in a financial condition which would imperil the claims of unsecured creditors, equity, which is ever solicitous for the rights of creditors, would have intervened to prevent such conversion.

The act of 1902, if observed, is a barrier to a like attempt.

It is not necessary to discuss the validity of the provision of the act of 1902, "that two-thirds in interest of each class of stockholders, present in person or by proxy, may authorize the retirement of shares," which is a departure from the act of 1896.

If that provision is inimical to the supreme law, it is well settled in this court that it does not taint the entire act; it may be rejected, and the remainder of the act will stand, subject to be availed of when the proposed retirement receives the vote of shareholders required by section 27 of the act of 1896, which it did receive in this case.

Lastly, it is urged that the manner in which the conversion plan is to be carried through and consummated is illegal, and furnishes sufficient ground for retaining the injunction.

"Individual stockholders can not question, in judicial proceedings, corporate acts of directors if the same are within the powers of the corporation and in furtherance of its purposes, are not unlawful or against good morals, and are done in good faith and in the exercise of an honest judgment." (Ellerman *v.* Chicago Junction Co., 4 Dick. Ch. Rep., 217.)

To the same effect are the cases of Benedict *v.* Columbus Construction Co. (4 Dick. Ch. Rep., 23; Edison *v.* Edison, 7 Dick. Ch. Rep., 620).

The action challenged in the case sub judice is that of the directors, fortified and upheld by the approving of more than two-thirds of the shareholders.

The plan was adopted by the requisite vote, with full knowledge of its purport, communicated in the circular letter accompanying the call of the stockholders' meeting, and therefore, in the absence of fraud, it is not the province of this court to substitute its judgment for that of the directors and shareholders, and declare that a less expensive or more beneficial plan could have been resored to successfully. Nor can any feature of the plan, expressly authorized by the by-laws, adopted before the complainant became a shareholder, be the subject of judicial control, so long as it is not inimical to any constitutional mandate, the end to be attained being, as in this case, duly authorized by law.

The means adopted to acquire the benefit of the authorized retirement became part of the business of the company, with which this court can interfere to no greater extent than it can with other lawful corporate transactions.

The decree of the court of chancery should be reversed and the injunction dissolved, with costs in this court and in the court below.

For reversal: The Chief Justice, Van Syckel, Collins, Fort, Garretson, Hendrickson, Bogert, Vroom, 8.

For affirmance: Garrison, Pitney, Voorhees, 3.

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